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**CO-OPERATIVE  
MOVEMENT IN RUSSIA**





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# Co-operative Movement in Russia

BY  
ELSIE TERRY BLANC

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**TO THOSE WHO ARE INTERESTED IN RUSSIA  
THIS BOOK IS RESPECTFULLY DEDICATED**



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# CO-OPERATIVE MOVEMENT IN RUSSIA

## CHAPTER I

### SURVEY OF RUSSIA IN THE NINETEENTH CENTURY

The co-operative movement in Russia is a story of many thrilling adventures. Starting as an obscure movement, hampered by governmental measures, and utilized by the middlemen for the exploitation of the workingmen, the Russian co-operative movement, at first only a bourgeois venture, became a lever of power in the hands of the revolutionists. It was supported for a time by the Kerensky Government; became an integral part of the Soviet régime; proved to be an enormous economic factor during the World War; was nationalized; disappeared entirely as a voluntary movement, and appeared again with its power increased to one of the great movements of the world. It is but fifty-seven years old, yet it has endured many startling changes, and has so closely wound its progress in and out of the kaleidoscopic history of Russia, that one can grasp its stormy growth only in connection with the careful study of the spectacular evolution of Russia.

This has been true of no other country. Nowhere else has the movement been dependent on the mood of the government. Neither the Utopian thinkers nor the actual founders of co-operative movements in Western Europe met serious governmental opposition. In fact, with the exception of Gracchus Babeuf, who was executed in Paris in 1796, no leader in France or England suffered severe systematic persecution. Robert Owen, the founder of co-operation, a man who publicly avowed many extreme socialistic ideas, was

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even honored throughout Western Europe. The movement itself, although it had numerous unsuccessful ventures, thrived and was respected. It was and still is a non-political organization. In Russia, however, the situation has always been different. In the olden days the bureaucratic government looked askance at any coalition of people, and, even in the early days of co-operation, when it was a purely bourgeois venture, the government was always on the watch. This resulted in numerous legislative measures which retarded the progress of the movement. Co-operation in its most restricted sense was nothing more than a coalition of people, a group venture, and as such a potential danger to the czar. The fear was not unfounded, for as the movement grew and involved men and women in all walks of life, it rapidly gathered revolutionary ideas. Having wound itself close to the bleeding, seething heart of Russia, the co-operative movement became a powerful economic factor influencing even international relations.

This importance was achieved slowly, for when at the beginning of the nineteenth century, co-operation was first introduced, Russia presented a gloomy aspect. Just then the new capitalistic era entered and brought great industrial changes in Western Europe. A great social upheaval followed, and deep thinkers began to advance new schemes for the betterment of the world. But while the western world was speeding on its way to progress and light, Russia, the country of vast natural resources, was socially a barbaric country where serfdom and feudalism reigned supreme.

Besides the dark mantle of feudalism, the Russian people had to bear the burden of their industrial system, which was based on serfdom. Previous to the reign of Peter the Great, Russia was a country of agriculture only, and manufactured articles were either imported from Europe and Asia or else were made in a very primitive way at home. But Peter the Great, through his personal contact with Western Europe, as well as through his many wars, understood that success in warfare and the strength of a country largely depend upon its industries. With the ever-present readiness of the Russian to adopt foreign institutions, wholesale he introduced the

factory system into Russia by establishing military plants for the preparation of armaments and shops for the manufacture of textiles. Not only were these managed by the government, but special decrees were passed in order to give concessions, such as freedom from taxation and actual gifts of money, to those business men who would be willing to establish mills of their own. Besides, people were sent abroad to study various factories, and skilled foreign workmen were imported to run factories. To still further stimulate the industries, Russia adopted a system of monopolies. The success of these measures was such that during the reign of Peter in the Province of Perm alone nine large factories were established with 25,000 mill operators.

The lavish inducements given to foreigners partly solved the problem of skilled labor, but there was great difficulty in securing factory hands, since Russia at that period had no proletarian class from which to draw its workers. In order to meet this difficulty the government set an example to the gentry by using the peasants living on the crown estates, and setting them to work in the government factories. The gentry followed suit by establishing factories of their own on their numerous estates, and using their serfs as workers. Thus rose the factories exclusively run by bonded labor. But the long hours, the small expenses, and the protective tariff did not help Russia to compete with the foreign market. The spirit of slavery was reflected in the work, and the quality of the output was much lower than that produced abroad. Much of this was also due to the fact that while factories in Western Europe were beginning to use machinery, Russia was still depending on her hand labor, and could only compete with foreigners by keeping the tariff very high. As a direct result of using serfs in the factories numerous evils were introduced, bringing horror into the hearts of the poor serfs. This system also ruined farming, since the gentry could earn more by running factories than by using the serfs in agriculture.

Free labor, which was indispensable to the industrial movement of Western Europe, was not to be had in Russia at the time of Peter and his immediate successors. Only toward the opening of the nineteenth century was free labor introduced

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into Russia. It was made up of the growing ranks of runaway serfs and of those serfs who either bought their freedom temporarily or permanently. At the same time, in order to stimulate further the growth of industries, the government, by a special decree of 1721, permitted the merchants to buy whole villages of serfs and attach them, not to the land but to the factory. At the same time, in order to force the free laborers to remain at their tasks regardless of the conditions under which they worked, the government set forth numerous rules by which work could not be terminated at will. All these rules made the supply of labor inexpensive, abundant, and permanent in its scope. The entire system, however, was such that eventually it undermined the economic status of the country, and weakened rather than strengthened her power. While the prohibitive tariff and special privileges helped the growth of the industries, the bonded labor on which it was based produced wastefulness and lowered the standard of production.

In the meantime labor disputes which arose between factory owners, serfs, and free laborers were taken up by the government and given a political aspect. As these same serfs were released during the harvesting months to cultivate their fields, political struggle as well as economic discontent were introduced into the villages. This situation, which was a direct result of the wholesale introduction of industries in the early part of the seventeenth century, continued to be the same during the following century and a half, and was swept away only by the reforms of 1861. Though lacking the consciousness of the labor movement of Western Europe, the bonded labor of Russia was not lacking in revolts against the existing conditions. These revolts became part and parcel of the Russian life, finally maturing into an actual warfare between capital and labor.

In the early part of the nineteenth century conditions existing in Russia were such that democratic ideals were beyond attainment. It was impossible to introduce an efficient system of industrial or agricultural production based for the most part upon bonded labor. Thus in 1809, out of ninety-eight factories supplying the government with material for soldiers'

uniforms, seventy-four factories were operated exclusively by serfs belonging to the gentry. Most of the older factories, patronized by the government and protected by tariff, employed bonded labor, whereas the new factories employed mostly free labor. The distribution of labor was as follows:<sup>1</sup>

Industries.	No. of Factories.	No. of Workers.	No. of Free Workers.
Cloth and Wool.....	155	28,689	2,788
Iron and Steel.....	26	4,121	1,144
Paper.....	64	6,957	1,533
Linen.....	285	23,711	14,327
Glass.....	114	3,937	1,685
Printed Calico.....	199	6,566	5,436
Silk.....	328	8,953	6,625
Ropes.....	858	1,520	1,295
Leather.....	850	6,304	6,115

With the growth of free labor came serious labor problems. They arose, first of all, in those "possessional" factories; that is, in the factories operated by the bonded labor which was brought and attached to factories as such. These factories were run by the merchant class, keen on making every possible profit out of their investment. According to the law of 1762, however, the merchants no longer had the right to purchase serfs. In order to increase their output as well as to open new factories they had to depend on free laborers. These began to work side by side with the serfs, and gave sufficient evidence of the superiority of free labor over serf labor. At the same time their freedom, always before the eyes of the serfs, brought discontent and revolt into their ranks. At the outset of the nineteenth century, this revolt was manifested by numerous strikes and walkouts, and in petitions to the czar. When in the eighteenth century the merchants were first given the privilege to buy serfs and attach them to the factory, the serfs were protected by statutes which guaranteed

<sup>1</sup> M. Tugan-Baranovsky, "Russian Factory in the Past and in the Present," p. 86.



them a living, regardless of the profits of the owners. The aged and the crippled were given a minimum pension, and the workers were given the right to appeal to the government in case any part of their contract was not kept. But at the beginning of 1800 this arrangement had become a dead letter, and the workers were fast learning that their strength lay in themselves and not in the protection of the czar. Back of the numerous walkouts of the factory hands, bonded and otherwise, lay the discontent about wages, long hours, holidays, cruel treatment, insults to the girls by factory managers, and the assignment of other than factory work.

The struggle of the workers to better their conditions at the period immediately preceding the abolishment of serfdom reveals, besides the cruel treatment of the leaders of these revolts, the childish faith of the workers in the benevolent interference of their father the czar. Only after several decades of this struggle; only after repeated failure of the czar and the government to interfere on behalf of the workers; only after numerous episodes in which the government, by employing soldiers and guns, demonstrated to the workers that the whole structure of the government was on the side of the owners and capitalists, did the workers discontinue their appeals to the czar, and strive to force amelioration of their condition by the power of the workers' consolidation.

This early period of the economic struggle brought little success to the workers. In a few striking instances only did they successfully gain a distinct amelioration of their fate. But these successes depended on the good will of the owners. The most remarkable of these was the agreement reached between the owner of a paper mill in Petrograd and the workers of the same in 1810. This agreement, which worked for ten years, provided clauses guaranteeing the workers steady work and pay for such time as was lost through the fault of the management. The workers were made responsible for the minimum amount of production. They were also responsible for the condition of the mill in general, and of the machinery in particular. A committee of the workers distributed the wages and decided the length of the working day.

Although the post of the manager of the mill was retained by the owner or his representative, the shop foreman was elected from the ranks of the workers. This plant had 181 workers, and during the ten years of the operation of this agreement child labor under fifteen was discontinued, and women as workers were entirely eliminated. The working day was not over ten hours. At the end of this period, Mr. Chlebnikov, the owner of the plant, sold the mill and the new owner tried immediately to curtail the power of the workers, and introduce child labor. The workers, however, educated as they were by their ten years of experience, refused to comply. They sent a special envoy to the czar petitioning him to take over the mill on behalf of the workers. They asked for an issue of a loan of 100,000 rubles, in return for which they assured the government they would supply it with better paper at lower prices. This was the first conscious effort on the part of the free laborers and serfs to combine and establish a co-operative industry. The petition was turned down by the government, but the owner was told to re-establish the old rate of wages and return the money due to the workers. This the new owner refused to do, and the strife lasted until 1825 when the plant was completely shut down. As a rule, workers' opposition was crushed with violence, force being employed to compel the workers to return to their jobs. The evils of the system, aggravated by the bad harvest of 1834, produced discontent and numerous riots in Russia.

The Russian intelligentsia protested against the self-evident evils of the feudal system. And indeed no progress could be made under such a régime. As usual, this, like any other liberal measure, was opposed by the crown. The czar, the numerous officials, and the countless landlords—all those who owned serfs—did not worry about the progress of the country. Their attitude corresponded to that of the French monarch whose motto was: "After me—the deluge." To keep the liberals in check, they introduced censorship of the press, by means of which they prevented any attempt of liberalism. Reactionaries promulgated ideals of feudalism, proclaiming the same from pulpit and through the press. As late as 1857, the study of feudalism, which was to be regarded as a divine

institution, was introduced into the curriculum of schools. It was but another phase of the Tudor doctrine of the divine right of kings, maintained in Russia as late as the close of the nineteenth century.

This reactionary attitude held out very little hope for progress. A most unexpected help, however, was rendered to the cause of the liberals through the great pestilences which swept over Russia. In 1832 and 1834 cholera broke out on a large scale. It resulted in numerous riots, one of which took place even in Petrograd, lasting for several days. Scarcely was that put down, when military riots occurred near the city of Novgorod. At the same time war with Poland brought discontent to the country at large. Unrest was evident everywhere. Finally the Crimean War of 1854 created a further discontent. Russia, a half-barbaric country, waged war with Turkey, France, and England. A great factor of victory lay then, as it does to-day, in the economic resources and development of the countries at war. This was clearly illustrated in the recent World War; it was demonstrated also in the Crimean War. True, the Russians showed a splendid spirit in their defense of Sebastopol, but the better-equipped Turks and their allies were the victors. In 1856 an ignominious peace treaty was signed by Russia. In order to pacify the country, great reforms were announced, and almost at once plans for the liberation of the serfs were in progress. It was only four years later, however, that they were executed, February 19, 1861. Thus ended feudalism and a new era was ushered in.

Under the new law peasants were given certain allotments of land for cultivation, and also the use of pasture grounds was allotted to the whole village. This was one plan, and it was adopted by numerous villages. Under the other plan, which found favor in other sections, a peasant was given only a garden and a house. All arable land, as well as pasture land, was to be the property of the village. The village "Mir," or the council, was to give the peasants their holdings, and from time to time these holdings were to be redistributed.

Whether the peasants adopted one or the other plan, they had to pay for the land, and, what is more, the entire village was held responsible for these payments. Until all the vil-

lagers paid for their holdings, no one could claim land as his own property. The working of this law led to grave agrarian problems: first, because the allotments were too small, and, secondly, because the land had to be paid for. Consequently, in a few years' time great misery spread over the land.

This situation is best understood in the light of the peasant's budget. Roughly speaking, it may be divided into three categories: (1) good for himself, family, and cattle; (2) clothes, sundries, etc.; and, (3) taxes and payments for land. In 1861 the main source of the peasant's income was agriculture. Therefore, the peasant had to look to his harvest in order to cover his budget. Now, the harvest as such was uncertain. This alone necessitated larger holdings. Yet even the land that was given to peasants was arable in parts only. Peasants represented over eighty per cent of the entire population, but they had only thirty per cent of the total land at their disposal. This thirty per cent included marshes and forests, so that only half of the peasant holdings were good for cultivation. The following table shows the value of the harvests in relation to the first item of the budget, that of food:<sup>2</sup>

Average County.	Average Year.	Bad Year (1901).
All grain harvested in poods per family.....	176¾	100¾
Average number of people per family.....	7	7
Grain needed per family, allowing twenty-five poods for each member.....	175	175
Difference { over + } { less - }.....	+ 1¾	- 74½

This shows that whereas a normal year left for each family 1¾ poods extra over the minimum requirements, a typical bad year brought a shortage of 74 poods for the same family.

<sup>2</sup> N. Sokolov, "Agrarian Communes and Taxes," *Everybody's Journal*, 1903, pp. 720-2.

In order to cover this shortage the peasant starved himself and his family, for the small surplus of the good harvest did not enable him to save for emergencies. Is it a wonder that a peasant oftentimes had to sell his cattle during the bad seasons, only to buy them back for a higher price a little later?

Nor is the picture complete without an additional burden of taxes. These taxes were raised in direct ratio to the year's harvest. Hence, a better year meant heavier taxation. The average tax per household for a county came to about thirteen rubles. This amount, as well as part payments for the land, had to be paid on a certain specified date. In case of inability to raise the needed amount, peasants forfeited their original allotment. The village "Mir" took over the land and redistributed it among other villagers.

Then again, there was still another part of the budget to consider: clothes and sundries. Under this heading come: fuel (such as kerosene), matches, sugar, and tea; wine and vodka; expenses connected with funerals, christenings, and weddings; clothes and shoes, and repairs on the home. In view of the recent discussions in America as to a "living" wage, it is interesting to note that, according to a careful study of this question, the Russian statisticians record the following:<sup>a</sup> According to the record for 1890, the average allowance for clothes and extras (not including food and taxes) amounted to fifty rubles per year for each member of the family. This is a very small amount indeed, yet it loomed very big in the eyes of the Russian moujik. Even this small amount could not be raised unless the peasant sacrificed a part of the crop set aside for the family use, or unless he found some way of earning his living outside of agriculture. Some filled in their shortages through fishing. Others cut and sold wood, and others, now that they were no longer serfs, left their womenfolks on the farms and went to the cities to look for work. Thus, shortly after the liberation of the serfs, there came the growth of the industrial cities. Land received less cultivation, prices on food increased, and there grew up an enormous class of proletarians.

<sup>a</sup> N. Sokolov, "Agrarian Communes and Taxes," *Everybody's Journal*, 1903, p. 723.

The unrest in the villages was still more accentuated by the return of the runaway serfs and free laborers. The conditions at the factories were such as to make life almost unendurable, and the Great Manifesto of 1861, which set the serfs free and gave them land, made the factory workers desire to go back to their native villages. Therefore, the immediate effect of the Manifesto was felt by those factories where the bonded labor predominated. In one of the districts three-quarters of the workers left the steel works. In the Beresovsky Mill alone eight hundred of the best workers left the plant, and from gold mines two thousand families migrated. So powerful was this tendency to migrate and seek grants of land, that even the inducement of higher wages could not check the flow of workers back to the villages. The shortage of labor was such that numerous plants had to shut down, and the total production diminished considerably.

The Manifesto of 1861, though giving freedom to the peasant, did not solve his problems. Consequently, there soon arose a new movement—"back to the factories and into the large cities." A rapid extension of industries followed and was helped along by the newly built railways. The supply of labor began to exceed the need of the manufacturers, and, consequently, the rate of wages was lowered and the new struggle between labor and capital marked the beginning of the 'eighties. This struggle, however, was different from that which occurred at the opening of the century. The revolutionists of the newly formed "Land and Freedom" party became interested in this struggle and helped the strikers with financial aid and advice. At first the strikes were in single factories only, but in 1879 there came a strike wave embracing a number of factories at the same time. Though each time the workers sought peaceful means to ameliorate their conditions, the government, by using police guns, forced the workers to realize that nothing could be accomplished without a radical change of the entire system. The revolutionists began to work exclusively among the peasants and factory workers, preparing them for the political struggle of the twentieth century. They advanced political revolt as the solution of all evils.

The general standards of life at this period were pretty low. The government believed that the less the people knew, the better for the government. The illiteracy of the entire population, therefore, reached (in the year 1897) seventy-nine per cent. Then again, numerous religious persecutions took place. These were not only directed against the Jews, but also against those Russians who dissented from the standard forms of the Russian Greek Church. The government desired Russia to be for the Russians only: a very similar sentiment to that of the American Ku Klux Klan whose motto is, "America for Americans only." The Russian attitude, however, was displayed some years earlier, when Russia was far behind other civilized countries. Speaking from the economic point of view, a policy so narrow and so unjust could not benefit the country. Numerous laws denied full privileges of citizenship to countless numbers. They also denied full privileges of trade and industry to the "undesirable element." At the same time, the guild system robbed others of equality in business enterprises. Poverty, illiteracy, persecution, the growth of a great proletarian class—all these on one hand, while on the other were the gentry, the clergy, and the various types of parasites who benefited by such a system. Such was Russia in the nineteenth century under the autocratic and bureaucratic régime of the czar.

Into this country came a ray of light in the message of the co-operative idea. But this idea would never have been launched were it not that it found a support in the elective administrative units, the so-called *Zemstvos*. It is indispensable, therefore, to understand the general career of these units previous to the introduction of the co-operative idea. This will explain not only their readiness to help, but also the natural limitations of such aid. When the serfs were liberated in 1861, it soon became apparent that some local councils were needed to safeguard the newly proclaimed liberty and also to formulate local efforts to stimulate economic welfare. In 1864—that is, three years after the Manifesto—a new law was introduced perpetuating the *Zemstvos*. These local councils were to be maintained by a special tax levied on proprietors of real estate. The taxpayers elected their own

representatives, who entered as members into the Zemstvos' councils. Each province had a Zemstvo and there were numerous smaller units of the same in each county.

Being elective units representing various groups of people, the Zemstvos were founded upon a desire to elevate the economic conditions of the realm. But as there was no unity of action between the various provinces, their efforts were purely local. Besides taking interest in the roads and ways of transportation, the Zemstvos took particular notice of the peasants' welfare. Many liberals took an active part in this work. Within fifty years they established hundreds of schools, combated epidemics, and sent groups of physicians abroad to study. As for the economic welfare directly, the Zemstvos rendered three main services to the peasants: (1) they established experimental farms; (2) they helped with money and tried to establish credit banks; (3) they helped the growth of the co-operative ventures.

First of all, special attention was given to the improvements of the old Russian agricultural implements. They were of a primitive type, necessitated a great deal of physical labor, and produced poor results. The Zemstvos, through the agricultural depots, appointed numerous experts and instructors to teach the peasants the value of the modern implements. They organized agricultural shows and demonstrations. They sold machinery on credit, and very often without profit. This in itself prevented to some extent exploitation of the rural population by the local dealers. Toward the end of the century the peasants even sold their grain through the Zemstvos, which thus contributed an invaluable service to the co-operative movement of Russia. One of the ways in which this great principle was brought home was through the problem of the impurity of the grain. The peasants were greatly handicapped in this respect. The Zemstvos established cleaning stations where for a very small sum the grain was purified. Also, they sent out itinerant machinery for cleaning seed.

Early in their career the Zemstvos began advocating the repeal of the protective tariff laws. These laws were in existence for a long time and were enforced in order to stimulate Russian industries. This had always been the argument, but



the results of such a policy were not beneficial. Controlling the markets, the manufacturers set a very high price on articles of primary necessities. Peasants suffered more than any other class of society from this indirect taxation. In fact, only the government and the manufacturer profited by this policy—the government because taxes on all manufactured articles were levied, and the manufacturer because, although he paid the revenue tax, he could make it up by charging higher prices. Such taxes where the actual payments occurred in buying or in consuming certain articles, were called indirect taxes. The burden of these taxes fell on the buyer, regardless of his income and purchasing power. Taking, for example, such materials as iron and steel—principal items used in manufacturing agricultural machinery—we readily see how the protective tariff, by barring the import of these materials, reflected on the process of agriculture. It was estimated that at this period the Russian population overpaid in comparison with the foreign markets 74,000,000 rubles a year.<sup>4</sup> The Zemstvos agitated the repeal of the protective tariff, but succeeded only in a few cases. Thus after fifteen years of continuous agitation, they succeeded in having the tax on salt removed. For this purpose twenty-four distinct campaigns had to be carried on. It was also estimated that the indirect taxes, derived from the sale of tea, sugar, vodka, tobacco, matches, and sundries in the year 1901 amounted to 652,000,000 rubles, which was over one-third of the entire income of the government. Divided by the total number of the Russian population, 130,000,000 people, we find that the indirect tax a year amounted to five rubles for each person. It is much to the credit of the Zemstvos that they opposed the governmental policy of indirect taxation.

Needless to say, the government did not approve of this activity of the Zemstvos. The strength of these administrative units lay in their popularity and also in their financial standing. The government decided to attack them by curtailing their income. The Zemstvos' incomes were obtained from the land tax in proportion to the net income derived from it. The Zemstvos tried to attribute this principle not

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<sup>4</sup> *Everybody's Journal*, 1904, p. 462.

only to the peasant holdings, but also to all lands used for factories, shops, and mercantile establishments. But as early as the twentieth of December, 1867, the government forbade taxation of the mercantile and manufacturing establishments proportionately to their income. They could be taxed according to the net value of the land occupied by these buildings. A further decree took away from the Zemstvos the right to tax railways. The result of these regulations was that the brunt of the taxes fell on landlords and village communes. The government was still dissatisfied, and by the decree of June 12, 1900, a further limitation was set upon the activity of the Zemstvos. This new law forbade the Zemstvos to increase their yearly budget more than three per cent over the expenditure of the previous year, so that this curtailed the expansion of the work itself.

Having seriously crippled the finances of the Zemstvos, the government tried still another way of curtailing their ever-increasing activity. In 1890, a law was passed bringing forth changes in the constituency of these administrative units. When they were first introduced, they were composed of delegates of all classes. Priests, noblemen, merchants, and peasants sat side by side and discussed the problems of their county and province. The only requirement was that these delegates should be land owners, and duly elected from various groups of such. There was even a safeguard provided for peasants who, in order to elect their deputies, were to meet as a separate body. After centuries of slavery, this was a necessary provision in order to develop initiative. The law of 1890 brought a radical change. The peasants could no longer elect their delegates. They were to nominate their candidates, a part of which were to be appointed by the governor of the state as deputies to the councils of the Zemstvos. The nobility was to meet separately from other classes to elect their candidates. And, finally, under the same law, any act or resolution of a Zemstvo was to be approved by the governor of the province.

If the czar and his bureaucratic government expected to curtail or change entirely the tendency of the Zemstvos, they were to be disappointed. While comprised of a very conserva-

tive element and far from any revolutionary trend of thought, they were liberal in their dealings with the problems of their provinces. To their credit be it said that instead of utilizing their power to ingratiate themselves with the government the delegates strove to relieve, at least in a measure, the sore needs of the less fortunate. While representing only the property owners, they tried to meet the needs of other classes. As there was dearth of legitimate outlets for any liberal-minded activity, the Zemstvos attracted numerous members of the intelligentsia. In fact, towards the beginning of the twentieth century, the Zemstvos included many prominent scholars. Notwithstanding all laws intending to curtail the activities of the Zemstvos, the Russian Czar could not crush the spirit of humanity and liberalism.

The leaders of the co-operative movement looked upon the help rendered their cause by these administrative units as invaluable. Co-operation was introduced by the intelligentsia who, working independently or through the Zemstvos, were the pioneers of this movement. They proclaimed the idea of co-operation, and, as foster mother, they nourished it and disciplined it into life and progress. Lack of experience hampered the progress of the movement, but arising out of many failures, it grew stronger, until after many vicissitudes it finally reached its power of to-day. Its present structure, limitations, and significance are greatly influenced by its previous history. In this light, various stages of its gradual development present a special interest and importance.

## CHAPTER II

### THE EARLY PERIOD

It has often been asked why Russian co-operation developed first along the line of industry, commerce, and banking, and why only of late has it taken in the agricultural field? This question is natural, inasmuch as Russia is primarily a country of agriculture. In fact, this situation was quite an enigma to the Populists largely represented in the Zemstvos. These Populists, or, as they were called in Russia, Narodniki, idealized the down-trodden moujiks and their communes. Now that serfdom was no longer a drawback, they expected a sudden development of initiative for new forms of economic welfare. But serfdom had stamped the people with marks of slavery. Ignorance, illiteracy, religious intolerance, cupidity for more land, lack of initiative—all this was part and parcel of the newly freed serfs. But these facts the Narodniki were not prepared to accept. They had worked hard to set the peasant free from his bondage of centuries, and to them the Russian moujik was an ideal. When the dawn of co-operation broke upon the country, the first exponents of co-operation were the same Narodniki, who saw in this new movement a possibility for the moujik to better himself. In fact, some went so far as to assert that this co-operative ideal was a truly Russian ideal, since the peasants lived and tilled the soil in a communal way. It was expected, therefore, that, freed from the bonds of slavery, the Russian peasants would develop this "Russian ideal," and that rural communities would become centers of co-operation. But the Russian moujik refused to live up to these lofty expectations, and, time and again, proved that his ignorance, illiteracy, and lack of initiative were only creative of communal disorganization. Subsequent events also showed that his ever-present hunger

for more land was a real stumbling-block on the road of co-operative agriculture. The Narodniki eventually had to give up their immediate hopes for establishing co-operative tilling of the soil.

Those who were hopefully looking for the spread of co-operation in the agricultural field, based their belief upon those forms of co-operative teams which were already in existence. These teams were called artels. They were the oldest type of group work in the country, and had behind them a history of more than one century. Even as far back as the thirteenth century we find references to hunting and fishing artels. The peasants worked in artels for men called into military service, for monasteries and churches, and, during the period of serfdom, for landlords. In the pre-reform time agricultural artels tilled the communal lands. With special permission of the overlord, peasants formed special artels of scythemen who went yearly to seek work into the far-off steppes of the Don and Kuban. Then, again, the liberal-minded landlords at times organized their serfs into artels. These examples, however, were not numerous. Many writers devoted their talents to the detailed description of this period of primitive co-operation. Among them we find N. V. Shelgunov, Stremuhov, Volkins, and Zukov. Analysis of their writings reveal, first of all, that these artels were not of a universal nature; secondly, that initiative rested mostly with the landlords; and, thirdly, that at no time did they have a definite economic influence upon the community. Consequently, though of some historical interest, these early forms of teamwork bear no direct influence upon the later forms of co-operation.

After the liberation of the serfs, there came a period of reconstruction, a period of new attempts of the liberals to create and realize ideals of a new social order. The Narodniki, working through the press and in the Zemstvos, sought to develop the old forms of artels into a definite economic channel. Russia being primarily a country of agriculture, the Narodniki tried to attain some degree of success in fostering agricultural artels. But despite the long history, and the new sincere attempts of the liberals, the artels still remained few

in number, and very weak at that. Coming into existence to practice co-operative economy, the artels would speedily disintegrate under the slightest pressure. As soon as the economic situation would improve, the artels would fall apart. Up to the close of the nineteenth century the agricultural artels were composed of about a dozen men, very often belonging to the same family, who combined their efforts only temporarily. Internal bonds of economic importance were entirely lacking in these artels. The petty bourgeois aspirations and delusions were part and parcel of these teams. They had no technical equipment and, consequently, they could not develop into important social factors. The agricultural artels, as a type of co-operation, were very weak and extreme in their primitiveness. There was not the slightest indication in them of broad social tasks; their productivity of labor was very low; and their inter-relations were so simplified that no written forms of agreements were needed. A close inspection reveals not only lack of written forms, but also absolutely no common funds or resources. They combined for a short period only to help out their former landlords, or to till the soil, and as soon as that was accomplished they disbanded. At the same time new forces increased the domestic difficulties of the peasants to such an extent that no constructive effort on the part of the Populists attained any success. We shall now examine these new complications and their influence upon the economic situation of the rural districts.

Previous to the great reforms, the peasant lived in a feudal state, cultivating the land held by tenure, and working for his overlord and for the Crosin. In this way the land itself was divided pretty evenly among the members of the commune. Whenever a peasant died, or, as often happened, several families perished because of some frequently occurring pestilence—such as cholera and typhus, two well-known emissaries of death in Russia—there would arise an uneven land appropriation among the serfs. The commune itself would then petition the overlord to redistribute the land. Oftentimes the landlord himself would do this of his own accord. The serfs living on the crown estates were similarly treated; a government official, assisted by the “Mir” (the village coun-

cil), would redistribute the land. And while human nature, displaying itself in graft, was ever present, nevertheless, all things being equal, the land redistribution was done more or less fairly.

With the coming of freedom and the proclamation of the Manifesto, this redistribution of land was waved aside and left entirely to the will of the communes. The Narodniki, very enthusiastic over this measure, claimed that as long as each peasant was given an allotment of land, the redistribution and readjustment of the same were wisely left to the will of each commune. This, they claimed, would enable the peasants to display a democratic spirit and develop co-operation. But the Narodniki not only overestimated their idol—the people—they also entirely overlooked the financial part of the Manifesto. According to the provisions of this Manifesto, each peasant was obliged to pay for his land. At the same time he had to shoulder numerous taxes which proved to be a heavy burden. His allotted land was so small that by agriculture alone he could not subsist. Within a few years there arose a large proletarian class of peasants having no land, and seeking means of livelihood through other sources than agriculture. “*De jure*”—every family was supposed to have an allotment of land; “*de facto*”—nothing of the kind. Time helped to develop not the latent co-operative instincts, so much expected by the Narodniki, but their very opposite. There arose two distinct classes of peasants: those with land and cattle—the well-to-do peasants; and peasants without land or cattle—the proletarian peasants. In 1889, one-quarter of the peasants in the rich southern provinces had no cattle and no land. Leaving their home villages, they would go to the cities and to the mines, seeking to make their livelihood through hard manual labor. At the end of the nineteenth century peasants were fast becoming recruits in the proletarian class.

How had this happened? What was the actual process of such disintegration? Why did the co-operative spirit fail to develop in the rural districts? Various things helped to bring this about. In the first place, the peasant was inadequately provided with land. He could not sell it, but he could tempo-

rarily relinquish his rights for a certain period of time. In the southern provinces speculation became a common occurrence. Thus, a man unable to meet his obligations would sell his rights to some more fortunate peasant for a period of a year or two, or for a longer term involving from ten to twelve years. This would be legally recorded in the circuit court. Then, again, since each commune was responsible for the taxes and payments on land, whenever a peasant would be in heavy arrears, the commune would take away his allotment, selling the same to some richer peasant. Thus arose the landless peasants.

The "Mir" proved to be a good weapon in the hands of crafty peasants. The village council was controlled by a few rich peasants who used it very cleverly in renting or buying new land. Since the peasants were unable to make a living out of their original allotments of land, they were always anxious to secure new lands through purchase or rental. They could do this only as an entire commune. The new lands were divided by the "Mir." But no matter how the venture turned out, it largely benefited only the rich peasants. This was done through the exploitation of the mistakes of the less fortunate, by loaning to them the necessary money and thus holding a mortgage over the poor peasants. "According to official data, in a typical province where sixty-three per cent of the entire rented land were in the hands of the peasants, the rich peasants of one county had one half of the entire land, in another county two thirds, and in still another four fifths. The poor peasants (owners of not over ten dessiatins) had only four per cent of the rented land, the argument being that the poor peasant could not meet large payments for land and therefore could not rent as much as the rich peasants. How different the argument was when the new venture did not turn out well! Then the commune called a special meeting of the 'Mir,' and the rich would demand that the share of arrears in payments should fall equally on all members of the commune. The commune debt would be divided evenly, and the poor had to help the rich to pay the debt."<sup>1</sup> As for "stealing" the best land, this was an ordinary occurrence, since

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<sup>1</sup> A. Volgin, "Basis of Populism," p. 132.



the "Mir" was controlled by the rich peasants. Thus the structure of the commune itself was helping the formation of two distinct agricultural classes.

The co-operative principles did not display themselves in the natural and the most necessary land redistribution. While the Narodniki expected this to work automatically, numerous facts showed that a contrary tendency was at work. The rich peasants refused to allow redistribution of land. Using the "Mir" as their chief weapon, and vodka as an inducement, they fought the issue. Though illiterate and ignorant, they knew how to use their political machine no less than the American politician of to-day. The issue was fought and won by the rich. At times, when the opposition was too strong and the poor won the fight, the rich peasants would actually declare war upon their opponents. The criminal annals of the country have numerous records of murder as the direct result of land redistribution.

Yet there was still another loophole of escape for the poor peasant. Those who were more adventurous and were unwilling to go to the city to enroll among the shop workers could seek their fortunes in the rich fields of Siberia. The migration from European Russia into Asiatic Russia assumed large proportions. The following table indicates the migration from 1896 to 1900:<sup>2</sup>

Year.	No. Migrated.	No. Returned.
1896.....	178,400	22,906
1897.....	69,806	21,555
1898.....	148,317	18,317
1899.....	170,131	21,311
1900.....	176,249	45,582

This table indicates only the migration of the peasants from the rural communes into Asia. But, besides this, there was a constant migration to America and to other foreign countries. These figures, however, sufficiently indicate that

<sup>2</sup> J. V. Bubnoff, "The Co-operative Movement in Russia," p. 14.

the conditions at home were so intolerable that they uprooted the peasants in thousands and sent them across vast regions to seek new homes.

The view of the rural communities and their problems are still incomplete without an additional side-light as to their ownership of cattle. A peasant without a horse or a cow—what sort of a peasant can he be? Yet, though Russian agriculture was entirely dependent upon ownership of cattle, there was a decided scarcity of it in the rural communes. The following data indicate the total proportion of cattle to the households in Russia proper:<sup>3</sup>

HOUSEHOLDS AND CATTLE—1890.

Parts of the Country.	Without Cattle	Per Cent.	With One Head of Cattle	Per Cent	Total Per Cent Given by These Two Groups.
Central Woodlands	85,852	28 0	105,813	36 9	64 9
Northern Woodlands	54,661	19 7	127,470	46 0	65 7
The Three Field System of the North	216,022	29 4	23,181	34 0	63 4
Intensive Black Belt, North	64,875	18 7	67,575	19 5	38 2
Intensive Black Belt, South	78,501	25 5	19,586	9 5	35 0
The Three Field System of the South	230,086	25 1	231,569	25 3	50 4
Total ..	729,997	25 3	784,194	27 2	52 5

What terrible totals!—Over fifty per cent of the population bankrupt. Yet these data were collected previous to the bad harvests of 1891-2. In this terrible agrarian problem, one can readily see justification for the Russian Revolution of 1917, which brought sweeping changes into rural life. The Narodniki were very sincere in their desire to serve the unfortunate peasantry. Their failure was due to the nature of the agrarian problem which could not be solved without a violent upheaval that would tend to revolutionize the entire system of land holdings. The Narodniki, however, were not radical enough to see the situation in that light, and, moreover, they waited for the sudden democratic display of initiative

<sup>3</sup>Totals of Peasant Households, *Jurisprudential News*, 1892, No. 11, p. 440.

on the part of the people. Meanwhile there grew the homeless, landless, cattleless peasantry.

In the words of Peter Maslov, who made a profound study of peasant communes, we must conclude that "admitting all benefits attached to the co-operative agriculture, promulgators of the same overlooked one important item. Poor production of grain is due not to the shortage, but to the surplus, of farm laborers. It is evident that, for instance, Peter and John having each one dessiatin of land, will produce very little grain, and this is true irrespective of whether they work together or separately. There is no pressing need for them to buy new, expensive machinery, because, should they work singly, using hand labor and a single horse, they would still be able to cultivate their small holdings. It stands to reason (quantity of land being limited) that if several peasants would combine and work in co-operative artels, and that if machinery of advanced type which simplifies farm labor should be employed, there would immediately be an oversupply of agricultural workers. A natural sequence of co-operation in agriculture will be the same as introduction of capitalistic method of grain production. There will be an oversupply of labor, wages of the same will be lowered, and eventually a part of the same must leave their occupation and be employed in industries."<sup>4</sup>

The conditions under which the rural population lived in the nineteenth century were unfavorable to the introduction of a co-operative scheme of agriculture. As Maslov points out, the scheme, though wonderful in itself, would produce only misery until such time as the land problem could be done away with. Considering the existing agrarian conditions, co-operation would bring about a larger proletarian population. This would have been the very opposite of the aims of the co-operators. Consequently, being discouraged by the self-evident drawbacks in the agrarian field of co-operation, the Narodniki decided to apply the Rochdale principles to develop home industries—the so-called *kustar*

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<sup>4</sup> P. Maslov, "Conditions of Development of Agricultural Communes in Russia," p. 368.

industries. We shall examine these now and see how successful the Narodniki were in this new field of work.

#### INDUSTRIAL CO-OPERATION, 1865-1900

The origin of the industrial artels, in which the Narodniki claimed to have found the Rochdale principles of co-operation, is traced back to the Tartar occupation of Russia. Reference to the kustars, as these industrial workers were called, is found in very old documents of the country. Some of the branches of the kустar industry are of a more recent origin. The kustars were found mostly in the following provinces: Kazan, Kaluga, Kiev, Moscow, Perm, Tambov, Viatka, Vladimir, and Voronej. They covered numerous crafts such as carpentry, capmaking, needlework, tailoring, metal work, and shoemaking. Primarily they were home industries, the skill descending from father to son, passing from one generation to another. Woodcraft and carving on bone and metal reached a high art standard, and retained something primitively Russian in design and color. The Russian Populists, the Narodniki, ever on the watch for a new manifestation of their idol's genius, were proud of these home industries, and felt that, with the downfall of serfdom, a new growth of these industries would follow. They desired this the more so since their own economic doctrine (attacked by Karl Marx and others) was based on the possibility of escaping a capitalistic era entirely through the development of powerful teamwork among the workers and peasants. Tending to benefit the peasants through group formation, they began, through the press and personal contact with the workers, to agitate for the formation of kустar artels. But, contrary to the ardent expectations of the Narodniki, the growth of kустar industries produced only greater misery for the people. A close analysis of the basic principles of these artels explains this paradox.

An industrial artel, as found in the middle of the last century, can be defined as a group of peasants who worked together as a team, who contributed equally toward the means of production and maintenance of living, and who shared equally in the total earnings of their labor. The general impression, such as this definition would convey, was that these

artels of kustars were similar to the co-operative producers' societies of England. Nothing could be further from the truth. While the English co-operatives were permanent organizations, made up of shareholders, based on written articles of association, and governed and directed by elective officers, the Russian industrial teams were fluid, temporary organizations, without written forms of contract, and without any set program of action. Taking the artels of the bargemen, for instance, we find that their membership was changing every few months. In the building trades, the artels of the carpenters and masons were made up of small numbers of workers joining for a short period of time, on co-operative basis, merely to execute a certain bit of work. As soon as this was completed, they disrupted their artel.

The majority of kustar artels were found in the home industries. They were a direct result of the patriarchic state in which the Russian moujik lived for many centuries. The entire family was utilized for kustar production. Some of it was done during odd moments, but the largest part was produced during the long winter months, when there was no field work of any kind. With the liberation of the serfs, and the eventual rise of the agrarian problem, numerous peasants, unable to eke out a livelihood from their small land holdings, began devoting their attention more and more to the kustar work, and this began developing quite rapidly. At the same time, the liberation of the serfs and the disintegration of the old communal life resulted in a break of the old patriarchic family bonds. With this break there arose a non-family type of artels. In the middle of the last century, therefore, there were two kinds of kustar artels—one, a purely family affair, and the other made up of unrelated individuals. But whether of one type or another, they were similar in many essential points, which was a decided contrast to the English co-operatives.

The size of each artel was very small, a membership of six kustars being considered indicative of a very large artel. Relations of kustars, whether working individually or in small groups, were essentially non-co-operative. Competition was very keen, and such help as was occasionally rendered was

done for pay. Kustar work was so based that one or two helpers could, as a rule, get on with their work without special help from the other kustars of the same village. But in some types of work extra help was needed, and then the kustars would combine temporarily, as was done in the harness industry, for instance. The Narodniki looked upon such temporary combinations as indicative of the co-operative spirit inherent in the Russian peasants. However, the analysis of these joint combinations reveals commercial or capitalistic self-interest, rather than co-operative spirit, which would have benefited every one equally. Thus in the harness industry, kustars received pecuniary compensation for such help as they rendered one to the other.

In other industries, though a direct pay was not practiced, payments were made in kind, or else some special self-interest was at stake. A good illustration of this is found in the pottery industry of that period. The Narodniki pointed out with great pride the fact that kustars practiced oven-sharing to bake their wares. One kustar would offer his oven to the community, and all the kustars of that village would become, for the time being, one big artel. However, this combination was not based on Rochdale principles. True, each man brought his own fuel for the oven, and shared equally in the use of the oven, but the owner of the oven, though receiving no money, received gifts of tea and vodka. Besides, it was understood that the owner of the oven would bake his own wares last, and thus, the oven being well heated, he would have to use very little fuel. He thus profited by these transactions more than the other kustars, and, consequently, it was purely a commercial enterprise. We find the same situation among the brickmakers who combined in small groups to facilitate their labor. Each group, composed on an average of five people, would have one oven, shared alike by all members, but the rest of the work was done by each kustar individually. In 1875, the brickmakers, in order to increase their output, went a step farther in their combinations. Several of the wealthier brickmakers hired a manager and established a small plant. The other kustars became hired workers, receiving so much a month for their labor. In order to

insure a conscientious attitude on the part of the manager, he was to receive five rubles per thousand bricks produced. Here was but a step from a kустar industry to a capitalistic venture.

One of the chief benefits of co-operation, as applied to industries, is the possibility of joint ownership of expensive machinery. Co-operation permits of making joint purchases of raw materials and, likewise, joint sales of the finished products. This was achieved by the English co-operators, but the Russian kустars showed no development of these democratic principles. There was no call for development of team-work on the ground of common ownership of machinery, since such machinery as was used by the kустars was of a very primitive type. The cost of these implements was so small that any one, even the poorest peasant, could own it. Peter Maslov, who made a thorough study of kустar industries of the past century, estimates the cost of various implements to be as follows:<sup>5</sup>

Type of Kuster Works.	Cost of Implements.
Tub making.....	not over 5 rubles.
Basket weaving.....	from 20 to 25 kopeks.
Reed chair making.....	not over 2 rubles.
Ordinary chair making..	carpenters' tools, from 6 to 7 rubles.
Barrel making.....	4 to 5 rubles.
Shoe making .....	3 to 4 rubles.
Felt shoe making... ..	90 kopeks.
Sled making.....	6 to 10 rubles.
Tar making.....	1 to 2 rubles.

During the last part of the century, among the home industries, wherein the kустars began to use expensive and complicated machinery, were creameries and tanneries. There, indeed, peasants combined into more or less large groups. But the men who entered into these artels were the wealthier type of peasants, who would combine into small groups and em-

<sup>5</sup> P. Maslov, "Conditions of Development of Agricultural Communes in Russia," pp. 404-5.

ploy the poor kustars as workers. That is, the kустar industries which showed any inclination toward group combination due to joint ownership of machinery were based not on the co-operative spirit, but on a purely capitalistic basis, wherein the minority exploited the product of the labor of the majority.\*

We see this in the home industries devoted to rope-making. For instance, in the province of Nijni-Novgorod, rope-making artels were made up of two or three families employing about sixty-five laborers. And again, in the tar factories of Krasnoufimski County, province of Perm, the total number amounted to eighty-eight. Nineteen of these were owned by artels composed of thirty-nine people, while the rest were run by hired labor entirely.

The same was true of other kустar industries, such as comb making, an art over two hundred years old. In one of the villages where this production was centered, one hundred and seventy-eight workers were organized into very small groups of from three to seven people, whereas almost two hundred others worked in large factories. An observation of the button production reveals that in one of the villages which may be taken as a type, one hundred and nine workers were found in twenty-three establishments, making groups of from four to five people. Boot-making was, likewise, in a similar predicament; observation of twenty-seven establishments of one province reveals that the kустar workers were distributed in very small groups, the largest hired group being composed of sixteen men. The exact distribution was as follows:

Number of Establishments.	Number of Workers.
1	2
5	2-4
7	5-7
7	8-10
2	11-13
5	14-16

\* A. Volgin, "Basis of Populism," pp. 201-204.



Contrary to the practice common even to the earliest English co-operators, the Russian kustars showed no tendency to combine in groups for selling their wares. Kustars produced all kinds of articles: cooking utensils, toys, knives, locks, bricks, combs, harness, sleds, homespun materials, clay and rude porcelain dishes, samovars, buttons, barrels, and so forth. All of these were produced at home, or in very small shops, and were disposed of either through a dealer or else at the nearest market. A kустar had no opportunity to send his goods to distant markets, as his output was small, and he had no association which could take care of his produce at some distance from home. From the very beginning, therefore, he was at the mercy of a speculator who visited the village at regular intervals; or, at the very best, he competed with his neighbor in the nearest market. This, in itself, lowered the prices and only helped him to eke out a miserable living. Pressed for time, he flooded the market with his goods and had to be satisfied with whatever he could get.

Lack of combination, besides influencing the markets, also increased their difficulties in purchasing the necessary materials for their work. Generally, the speculator who bought the ready product supplied the kustars with the raw materials, or the same was bought at a near-by city. Each kустar bought for himself, and it was seldom that the kustars combined to make joint purchases. But even these rare examples of a would-be co-operation were quite illuminating. In the county of Viatka two or three wealthy barrel-makers would buy wood and sell a little of it at a time to the other barrel-makers, at a great profit. One could get a glimpse of the profits made from the following statement: "In the village of Voronzoka, County of Voronej, the trunk-makers combined in groups of from five to ten people and purchased the necessary material. Comparing the prices they paid with those paid by single kustars, they save from fifty kopeks to a ruble per square cubic foot."

The Narodniki, who expected so much from the natural development of the kустar industry, pointed out horrors which were the result of the capitalistic system. And, indeed, the

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<sup>1</sup> A. Volgin, "Basis of Populism," p. 210.

factory system brought into the country vast misery. At the close of the nineteenth century, two reports were printed on the conditions of industry in Russia. Besides long hours, the minimum being from sixteen to eighteen hours a day, the two reports stressed the fact that child labor, from eight to sixteen years of age, was being largely used in factories. Some of the data were given by Professor Yanjul, who named his report, "Factory Conditions in the Province of Moscow." The other report was written by Mr. Dementiev, who published his survey under the title, "The Factory—What It Takes from, and What It Gives to, the People." Professor Yanjul investigated the labor conditions of one hundred and fifty mills with 84,000 workers. He found that 8,112 were minors under fifteen years of age. Irregularity of shifts, encroachment on the time of workers, night work, irregularity of distribution of work, and low wages—this is the heart-rending picture as given by the investigators.

The meagerness of wages was such that it barely gave means to purchase common necessities. No provisions for sickness, slack periods, or injuries were made, and, consequently, there was no chance to provide or save for the rainy day. Though there is lack of complete statistical data, a comparison of the industries of Moscow, England, and the State

MONTHLY WAGES IN DOLLARS.			
	Male.	Female.	Minor.
Cotton Industry.....	Moscow.....	5 50	2.95
	England.....	12.65	2.45
	Massachusetts .	16.30	9.30
Printed Calico.....	Moscow.....	3 25	2.75
	England.....	9 05	2.70
	Massachusetts .	14.60	9.15
Average for Industries	Moscow.....	5.20	2.55
	England.....	9 25	2.15
	Massachusetts .	16.80	10.80

of Massachusetts for the year 1882 gives an idea of the relative wage earnings in these places.\*

Comparing the data, we find that with the exception of the minors in England, the Russian factory workers received wages amounting to less than one-third of the American worker, and only one-half of the English. The situation was bad enough, but it was no better with the kustars, who earned even less. Notwithstanding the horrors attached to the factory system, wherein the workers were obliged to work long hours for small pay; wherein unsanitary, unhygienic conditions prevailed; and wherein the workers suffered all sorts of abuse, because they were in no way legally protected, the kustars, working for themselves, in very small groups, lived under no less trying conditions. The kustars worked primarily at home in their simple dwellings, usually composed of a single room. There the family lived, cooked, ate meals, and there the kustars, with the help of their families, produced their various wares. Unsanitary conditions prevailed and reflected largely on the health of the entire district. It was indeed a survival of the fittest, the infant mortality being very large.

Kustars working in very small groups were obliged to be content with whatever they could get from the sale of their produce, and this, as we have said before, helped them to eke out a miserable living. As for the kustars who combined and hired laborers, they did very well. In reality they were small capitalists exploiting their workers, the poorer kustars, who received wages no higher than the factory laborers. The number of such kustars no longer working for themselves but working, either for a few wealthy kustars or for a factory, increased every year. This was particularly true of the industries devoted to the making of chinaware, samovars, and of domestic utensils. Painting of china, for instance, which formerly reached a highly artistic stage, lost entirely its kustar aspect. It was still done at home, but was connected with large factories, and the work was given out, to be taken home for small pay. The average pay of such kustars was about the same as in the factories.

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\*Prof. Yanjul, "Factory Conditions in the Province of Moscow."

A further comparison of kustar and factor industries reveals the fact that the kustars working at home were obliged to work longer hours. As the direct result of technical simplicity, limitation of the market, and consequent close competition, not only between various kustars, but also between kustars and capitalistic industries, the kustars could eke out their miserable living provided they lengthened their working day. Consequently, while the industrial workers in the factories worked long hours, averaging sixteen hours a day, the kustars working for themselves worked still longer hours. Peter Maslov, summarizing various reports of the government officials and reports of the Zemstvos, writes as follows:\*

"Fourteen to sixteen hours a day is the average of work in the kustar industry. But during their season the kustars work longer hours, averaging twenty hours daily. Shoemakers, who work from six in the morning till twelve at night—that is, eighteen hours—allow only one and one-half hours for dinner at noon, and one hour for supper at twilight. The day before a bazaar they work twenty-four hours straight, and have extra sleep the day after. Sled makers work fifteen hours a day. Tanners rest from seven or eight o'clock in the evening to twelve or one o'clock at night; that is, from four to six hours daily. Reed-chair makers work from fourteen to sixteen hours in the winter, and from fifteen to seventeen hours in the summer. Pottery kustars work eighteen hours a day, but their children, who are minors, work less. Kustars engaged in butter-making sleep from three to five hours in the winter. They begin their work at midnight and keep it up till six o'clock the following day, but in the winter they get up at ten o'clock in the evening and quit working the following day at four or five o'clock in the evening. It is interesting to notice that horses are used in two shifts, but no shifts are used by the kustars themselves."

Long hours, unsanitary conditions, small pay, and lack of true co-operation—all these shortcomings were exposed at length by numerous economists, opponents of the Narodniki. Nevertheless, the ardent Populists, ready to see only the

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\* P. Maslov, "Conditions of Development of Agricultural Communes in Russia," p. 406.

bright side of their idol—the Russian moujik—felt that kустar industries were a great help to the peasants for the development of agriculture, first, because it brought them ready cash, and, secondly, because it gave them an employment during the months when field work was impossible. Facts, however, revealed by more critical minds, and affirmed by later developments, did not bear out any of these expectations. At no time was an average peasant able to make a living out of his farm alone, and he turned primarily to his kустar industry or to his artel work at the mines or in the city, because he needed money. The more money he got, the better profit he made, the less inducement there was to put extra effort into his agricultural duties. The industries, as they developed, gave employment to the workers throughout the year. The farms, at the same time, were disintegrating on account of the various conditions discussed above. Agriculture presented less and less inducement to the poorer kустars. The wealthier kустars, however, whose coalition tended to develop into small capitalistic industries, purchased more and more land as their wealth grew. These kустars applied their capitalistic tendency to the land also, and, consequently, turned their lands into capitalistic enterprises, employing and exploiting the less fortunate villagers. Numerous proverbs, made up of popular sayings, typified this period; they revealed that the agrarian problem grew sharper as the richer peasants and the richer kустars acquired new lands. The poor had to contend with less land and of poorer quality.

The artels, however, in spite of all their drawbacks, contributed a definite value to the potential welfare of the people. There were no labor unions in existence, since the government did not allow their function in the country, and the artels were the only form of legally organized labor. It is interesting to notice that the capitalists preferred to hire artels rather than other workers. This was particularly true of the mine owners, who gave preference, and even higher scales of wages, to the artels because these had their own discipline, because of which they could be relied upon for a steady output of their labor. The same attitude was found in the building trades. The artels, therefore, were the embryo

of the future trade unions. At first non-political organizations, they became the refuge of radicals toward the end of the century. The government issued measures against further combinations of artels, and even forbade the songs which were part of the artels' spirit. "Dubinushka," one of the oldest songs of the artels, became the revolutionary song, its popularity comparable only to the French "Marseillaise" and to "The International." People promulgating the formation of new artels were sent to Siberia. But the nucleus of the movement could not be stamped out and it flared up at its earliest opportunity, resulting in the Revolution of 1905. Thus, contrary to the expectations of the Narodniki, a part of the former kustars developed into small capitalists, whereas the other part went into the political field and became the backbone of the militant agitation for living wage, trade unionism, and democracy. In the meanwhile the agitators of co-operative principles were engaged in active propaganda of the Rochdale principles in other spheres of economic life: promulgating consumers' leagues and co-operative banking.

#### CONSUMERS' ASSOCIATIONS

The Russian consumers' co-operation developed in a slow way, passed through many errors, was hampered continuously by the government, and was mistrusted by the people. Like industrial co-operation, it found its sponsors not among the common people, but in the ranks of the intelligentsia who sought, in a measure, to alleviate the evils of capitalism. The policy of tutelage was adopted, and the Rochdale principles, which somehow found no fertile ground in the rural communes, were now introduced to the city population. It seemed that the leaders of co-operation were bound to repeat the same mistake which they made in the sphere of industrial co-operation. The artels set up by the Narodniki were managed and supervised by the members of the nobility and intelligentsia in general, though this killed whatever initiative the workers had. The same ideas were applied to the consumers' societies. "Their leaders," says Mr. Bubnoff, "were local marshals of the nobility, representatives of Zemstvos' administration, the mayors of the town, etc. The indigent

classes were only customers."<sup>10</sup> The shareholders were members of the well-to-do class, and the poor people did not benefit by the consumers' societies. The well-to-do class profited by the transactions. Thus were the co-operative ideals misused by the Russian intelligentsia.

The first co-operative stores in Russia were founded in the 'sixties under the influence of articles and pamphlets on Western European co-operative stores. The example of the Rochdale pioneers had not in the beginning so much influence as the co-operative store introduced by Schultze-Delitzsch. The latter's influence naturally was first reflected in the Baltic provinces, where the educated German classes in Riga founded the first co-operative store in 1865. Revel followed Riga, and in 1866 similar stores were set up at Derpt and Petrograd. Twenty-two such stores were opened in 1868, twelve in 1870, and only four in 1871. From 1871 to 1881 the new stores were opened on an average of from four to seven a year, this number increasing in 1881 to fourteen. These stores were started by Germans. Later they spread through the purely Russian population, and even into the out-of-the-way villages. The city stores, however, predominated, and in the late 'seventies were to be found in leading cities such as Kharkov, Odessa, Pscov, and others.

In 1870 the first "workers'" consumers' association was established in the Ural region. It was connected with the factory called the Kynov Works. Similar attempts on the part of other Russian factories followed. A few of these societies are still in existence, though after the Revolution they assumed an entirely different aspect. In the early days these stores, connected with shops and factories, were but an added weapon in the hands of the employers. The controlling shares were always in the hands of the owners and managers of the factories. Very often the workers received provisions in place of their wages, and were kept more or less indebted to the store. Besides, during a strike, by withholding the food, the employers could easily bend the workers to their will. The workers also tried to get hold of the stores' provisions, and many a strike ended in a riot. One of the first

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<sup>10</sup> J. V. Bubnoff, "The Co-operative Movement in Russia," p. 47.

measures employed by the capitalists during the strike was to close up the store and surround it with armed guards. The leaders of the co-operative movement in Western Europe recognized the danger of such shops and did not favor the development of this phase of would-be co-operation. The Russian intelligentsia were not so farsighted and, therefore, by setting up these stores, they aided rather than combated the capitalistic forces.

Most of the co-operative stores opened during the 'sixties and 'seventies of the last century were soon forced to liquidate. This was due not to the unfavorable external conditions, but to the ignorance and apathy of the members. Lack of interest, lack of true understanding of co-operative principles—those were the main causes of failure. Only two stores,<sup>11</sup> opened during the early period, survive up to the present time. One is the Plotzk Store, "Harmony," established in May, 1870. A credit society was connected with this store, and this fact, together with an able management, assured its success. The second surviving store of that period is the Spasky-Zaton, in the province of Kazan. It was established at the Volga wharf of a shipping society under the name of "Kavkaz and Mercury" in 1868. Very little is known of the early history of this store except that its members stuck to it, and that all of them in the first years took duty by turns at the warehouse. The success of these two stores was due to the sincere interest of their fellow members.

The chief benefit which the people received from the early consumers' associations was the steady advertisement of the co-operative ideas. They saw that prices in these stores were lower than in the other stores of the same district. They also saw that the shareholders profited still further by these transactions. Toward the end of the century, the enthusiasm grew, and numerous co-operative societies appeared. The government required registration of these societies, so that statistical data of this movement are available. Between 1875 and 1891 there were registered one hundred and eighty-six societies, thus averaging eleven new societies a year. The following

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<sup>11</sup> Prof. V. Totomiantz, "Distributive Co-operation in Russia," *The Russian Co-operator*, Aug., 1918, p. 138.



nine years—that is, from 1891 to 1900—recorded a steady increase, the total number of new societies being five hundred and seventeen, which gave an average of sixty-five new societies a year. The famine of 1891 was a partial cause of this increase. The make-up of these organizations was growing more and more democratic, whereas in the beginning the shareholders were mainly teachers, officers of the army, and so forth. This aspect was changed toward the end of the century, all classes of society participating in the new organizations.

At the same time another gain was made by the consumers' leagues. According to the government regulations concerning such societies, a petition for opening a new society was required to be filed in the office of the Minister of the Interior. This resulted in the delay of the permission for weeks and even months. Both *Zemstvos* and co-operators petitioned the government to make easier provision in this respect. And in 1897 the government issued what was called "The Normal Articles of Association for the Consumers' Societies." This decree provided an easier way of securing permission by allowing it to be secured from the office of the governor of the province. Altogether, at the close of the century, there were about eight hundred consumers' societies.

Toward the end of the century came about a more unified aspect of the consumers' societies. The articles of association were more unified, and they all seemed to be getting nearer the Rochdale principles. The peasants became interested in the movement, and villages nearer to the cities also adopted a uniform program. Though on the whole the articles of association were very similar to those of the English consumers' societies, there were several points of typically Russian provisions. Some of these were inserted because of the government regulations, and some because of the prejudices of the people. The following was a typical consumers' declaration of purpose:<sup>12</sup>

"The society declares its intention of supplying its members with food and other necessary articles of consumption

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<sup>12</sup> Consumers' Society of Alexandrovsk, pp. 1-2. Province of Ekaterin-slav.

at the lowest price; also of dividing whatever profits there would be as the result of these transactions. At the same time the society may, by general agreement of members, undertake other enterprises which could result in a better financial standing of members. It also intends to acquire real estate and to form business and industrial contracts with non-members."

This general description of Russian co-operation is as true of to-day as it was true of the nineteenth century. A foreigner traveling in Russia was always puzzled by the number of enterprises and variety of names which the same organization seemed to have. The consumers' societies from the very start showed a tendency to overlap producers' organizations. This is also true of the English co-operation which, having started as a simple consumers' society, involves all kinds of enterprises tending to manufacture some of the articles of consumption.

One of the chief points of difference between the English consumers' societies and those of Russia lay in the fact that, whereas in England members were allowed to trade for cash only, in Russia shareholders seldom paid in cash. Credit was given to every member, the general assembly of members deciding upon its amount. The non-members were obliged to pay cash for all of their purchases. Each member was given an account book which was to serve as a record of all financial transactions. A duplicate of the same was also kept in the office.

The capital of the society was formed by: (a) entrance fees; (b) by the sale of shares; and (c) by such loans as the society may have secured from the banks or private sources. Strict provisions were made to have all the loans and debts not exceed the total sum of fees and shares. The shares ranged from ten to twenty rubles each; but time was given to make these payments, so that practically any one was able to join as a member. The entrance fees were very small, ranging from two to ten rubles. As for the number of shares which could be purchased by each member, no uniform provisions were made. It was left for the general assembly of members to decide how many shares a new member could

purchase. Irrespective of the number of shares, a member was entitled to only one vote. The shares could be resold at par value to an outsider, but in that case, in order to secure the right to vote, the new member had to pay an initiation fee. And again, if a member wanted to leave the society, he was entitled to get back all of the money he put in. The management was allowed three months' time to meet such payments.

There was a vast difference, not so much in the method of the shareholding, as in the nature of distribution of profits, as practiced in England and in Russia. The English societies gave profits according to the purchases, which removed any inducement for purchases of more than one share. In Russia, however, the very opposite doctrine was adopted. A member received profits according to the amounts of his purchases. Also, he received dividends for the amount of shares he owned, so that a member was inclined to obtain as many shares as he could possibly get. The vote of the general assembly of the members was the only safeguard which limited the number of shares held by any one. The actual profits were divided as follows: Ten per cent was set aside for dividends on the shares, ten per cent was set aside for the reserve, and the rest was divided in proportion to the purchases made by each individual.

Since each society fully intended to enter into a larger sphere of business, there was need to make special provisions in order to accumulate reserve capital for this purpose. Besides the ten per cent set aside from the profits, the reserve capital was further increased by the interest accumulated on the capital, by sale of booklets of Articles of the Association, and lastly, by a most ingenious practice of adding fractions of kopeks which theoretically belonged to the members, but which, in practice, always were disregarded. That is, if a member was entitled to receive, as dividends, 42.6135 rubles, he actually received only 42 rubles and 61 kopeks. The other figures were disregarded entirely in actual practice. But the consumers hit upon a plan which saved this waste, by adding all these fractions of kopeks together and adding the sum total, small though it might be, to the reserve capital. The

reserve capital was not idle. It was invested in government bonds, or deposited in the savings banks, accumulating interest. To reinvest this money in some other venture, two-thirds' majority vote was required.

Another difference between the English and Russian co-operators lay in certain limitations of membership. Thus, though following the English precedent, both sexes could become members, yet students, soldiers, and persons whose civil rights were curtailed by law were not permitted to become shareholders. These regulations were due to the fact that consumers' societies tried to be on good terms with the local police, and therefore did not desire to accept people under the supervision of the police as members of their society. Moreover, in case of any litigations between the society and its members, they had to be protected by civil laws, and this would be quite impossible in the case of those already banned and outlawed. As for the soldiers, these were considered one of the lowest strata of society, and, besides, one could not rely upon a steady residence of the soldiers. As for the students, they were mostly minors, and therefore had limited independence, or students of universities had an uncertain residence, and were looked at askance by the police. Besides, it was desirable to secure heads of households as members, for this assured a steady increase of business and gave a reliability to the business venture.

The English co-operatives were managed on a purely business basis, their managers being paid officials. The Russian consumers' societies gave their officials a certain monthly compensation and also gave them extra interest in the business. At times special compensation was given by a special vote of the general assembly of members. The English co-operators could discuss whatever questions they pleased at their meetings and were not molested by the police. The Russian co-operators could only discuss such questions as were stated in the agenda and approved by the chief of police. The mayor of the city, as well as the governor of the province, had the right to order liquidation of the society, so that the meetings of the members were always under the supervision of the police. Therefore, while the Rochdale principles were

adopted by the consumers' societies of Russia with only slight fundamental variations, it was impossible for them to adopt any broader theories of Robert Owen. In spirit, these societies remained bourgeois enterprises, nor could anything else have been expected when they were so closely watched by the spies of the czar.

The last and the most important difference between the co-operators of these countries lay in the fact that, whereas the English co-operatives united into larger and larger groups, consumers' organizations of Russia were not allowed to do so. The government was very much against formation of any union of these societies, though their welfare depended largely upon their united front. Purchases on a large scale, such as could be done only through a union of several organizations, were a very desirable thing. This was achieved only toward the end of the century. The first union based on the privilege of private agreement was formed by the Moscow consumers' societies. It was organized in 1898, and was made up of consumers' organizations of Moscow province. This union was based on commission purchases, the strict understanding being that purchases should be made as commissioned from the various allied societies. The turnover of the first two years did not exceed, therefore, the commission orders. This policy was later discarded, and the Moscow union grew in power and became the leading consumers' union in Russia. But during the first two years of its existence, it was only a small organization which was trying to set an example to other provinces; which was not at all sure of its own large possibilities; and which conducted business on a commission basis only. It started out with a capital of five hundred rubles, was increased by three hundred the next year, and was doubled five times in 1900. The turnover of 1899 was only 31,340 rubles, but the next year it reached over 139,000 rubles. There was a steady increase of the number of affiliated societies. The union started out with eighteen organizations; added six more the next year; and opened the new century with sixty-seven allied societies. From the very start, consumers' organizations were handicapped by their inability to secure credit on a large scale. This difficulty was further increased when they

enlarged their business. It was most keenly felt by the first union of consumers' societies. The question of credit was also acutely felt by the industrial artels, as well as by the peasants in general. The co-operators, therefore, turned their attention to the possibility of developing co-operative credit associations.

#### EARLY PERIOD OF CO-OPERATIVE BANKING

For a long time past, Russian economists advocated establishing some sort of credit institutions which would save the rural districts from wholesale bankruptcy. In this respect hardly any initiative was shown by the people themselves. Ignorance, illiteracy, and a general policy of tutelage prevented any manifestation of the people's initiative. At the time of the introduction of co-operative ideas, the country's hope of salvation lay in the legislative measures of the government and in the good will of the Zemstvos. These agencies, under the advice of experts, attempted to solve the problem of credit in their own way.

Being closely molded on the German type, and relying on foreign experts to solve domestic difficulties, the Russian Government adopted the German ideas of agricultural credit institutions. Thus, the attempts of the German Government to meet in a measure its own difficulties were faithfully copied by the Russians. The German Government set aside various sums for distribution to the poor, and also established "small credit" banks to make loans for agricultural improvements. The poorer classes, however, were unwilling to make much use of these advances; first, because credit thus obtained had a certain stigma, for it indicated a man's low financial standing, and, secondly, because credit advanced to peasants was for a short period only, whereas the nature of the occupation necessitated long-term advances. This system, therefore, was not popular in Germany.

Without looking deeply into the results thus obtained, the Russian Government copied the German ideas and introduced them to the Russian moujiks. This system was introduced by Catherine The Great. The empress, desiring to attract colonists to southern Russia, then known as Novo-Russia,

ordered funds set aside out of the communal revenues. These funds were to be used to help the foreign settlers buy land on easy terms, and to further use these funds for advancements to be made to these settlers for agricultural improvements. A formal decree to this effect was issued in 1803, and was the prototype of all following decrees on this subject. In 1816 and 1818 special funds were created by the crown out of revenues derived from the Baltic provinces. These were augmented by private subscriptions for the benefit of peasants of the Baltic provinces. In 1820 a special fund was raised from the revenues for the betterment of the district of Novgorod. But in all of these cases the sum of money set aside for the purpose was inadequate, and advancements made were entirely too small to be of material help.

The first regular banks for small credit were set up by the decree of 1837. These banks were to be open for the use of peasants living on the crown oppanages. Realizing that all of these various provisions were of local character only, the government issued a decree in 1840 to regulate the "creation in villages of auxiliary and savings funds." And so, at the time of the liberation of the serfs in 1861, Russia had a network of inadequate short-term credit banks under the direct supervision of the government. Like all things connected with the autocratic régime of the czar, all of these banks were only a new hunting ground for petty bribery and general inadequacy. In the meantime the German people realized that all such measures were of no avail. They decided to solve their problems by means of co-operation. But the Russian Government still persisted in its original policy, and as late as 1882 established the so-called Peasant Land Bank to assist the peasants to secure new lands. This seemed to be a constructive help, but in reality it failed to give adequate help. Statistics showed that only 1.4 dessiatins of land were acquired per family in this way.<sup>13</sup> In other words, the sum total of the entire efforts of the government in no way alleviated the condition of the peasants.

In the meantime the Zemstvos were also trying to meet the exigencies of the situation. One such attempt was made in

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<sup>13</sup> J. V. Bubnoff, "The Co-operative Movement in Russia," p. 11.

the province of Tver. In 1869 the Zemstvo of Tver decided to help the people by supplying them with credit. As a practical beginning the Zemstvo appointed a committee to look into this matter. In 1870 the committee recommended forming kustar artels for manufacturing nails, and supplying these artels with the initial funds. At that time the making of nails was rather a primitive industry, nails being made by hand. But two years later, in 1872, machinery was introduced and the whole process was revolutionized. As a result, the price of nails went down, and hand labor could not compete with machine production. And though at the beginning the artels had been given a sum sufficient to purchase the new machinery to be enabled to compete with this new mode of production, they were unable to do so because the money was no longer on hand. This, upon investigation, proved to be due to the fact that the peasants, looking upon the efforts of the Zemstvo as upon a direct charity, divided the total sum given them. A small sum was actually put into the artel productions, while the rest was divided as charity among the members for private purposes. Therefore, when there was a direct need of reserve money for a business emergency, the money was no longer there. Consequently, in 1875 the committee recommended the liquidation of the entire enterprise. Thus ended the first constructive attempt of the Zemstvo. And it ended in disaster through the very fact that the artels were the recipient of this help as a charity. Simultaneously with this fiasco, the Tver Zemstvo tried to help the shoe-making artels of its province. These workers received three hundred rubles. But due to the ignorance of the members and the lack of understanding of co-operative aims, the members quarreled and the business was liquidated. They refused to pay the Zemstvo what had been advanced to them. In 1874, another artel helped by the Zemstvo went out of business. Then, again in 1877, the boot makers' artel had to be given up, and at last, in 1883, the Zemstvo, discouraged by all of these unsuccessful attempts, decided to sever its connection with the tar-making artels, and demanded through the courts the money advanced to them. At the same time one of the wealthiest enthusiasts of the province persuaded the Zemstvo



to help the cheese-making artels. In this case lack of experts resulted in cheese of very poor quality, and financially this was such a failure that out of eleven artels only three remained. Much of the failure was due to the misapplication of funds.

The same story was repeated in other provinces. In fact, the experience of the Tver Zemstvo was typical of all Russia. In the province of Petrograd the deficit in 1873 amounted to two hundred and fifty rubles. Zemstvos had to meet similar losses near the Don River and in the Caucasian districts. Yet, though in case of each failure only a part of the initial loan was demanded, even then the Zemstvos were obliged to carry on continuous litigations to secure at least a small part of their advances. This was due to the fact that such help was given as charity, and in such a form as to preclude a sense of responsibility on the part of the recipients. And as long as the artels remained only recipients of these gifts of money, there could be no success. In numerous cases lack of expert knowledge and the introduction of machinery doomed the artel to inevitable failure. At the end of the nineteenth century the Zemstvos went to the other extreme and, owing to numerous failures, decided that financing the artels was entirely out of the question. In other words, the attempt of the Zemstvos showed that no success could be obtained in that way. The Zemstvos failed in a different way than the government, but they failed none the less.

Simultaneously with the efforts of the Zemstvos, and concurrent with the efforts of the government, still another effort was made to solve the money problem. This effort came from the intelligentsia. It differed from other efforts inasmuch as this group of people tried to offer their help in such a way as to induce a close partnership of the beneficiaries. That is, it was a conscientious effort to establish the co-operation of credit. The first such co-operative loan association was formed by Mr. S. F. Luginin in his native village, in the province of Kostroma, in the year 1865. Luginin was the father of the Russian credit co-operation. He was a personal friend and a zealous disciple of the great German co-operator, Schultze-Delitzsch, who only ten years previously

set up the first co-operative bank in Germany. Luginin, therefore, inspired by his German teacher, set up in Russia practically the same type of co-operation.

Luginin's efforts were copied by other philanthropists, but, though much needed, were of a questionable success. They called for at least twenty members. The largest sum advanced was three hundred rubles, six months being the longest term for which the loan could be obtained. The shares, though paid out in installments, were at first quite large and could not be met by the very poor who needed the credit most. Then, being more or less the exact copy of the Schultze-Delitzsch loan and savings bank, it required unlimited liability on the part of the members. This kept the most cautious away and, again, helped to keep out the most needy ones, as men of undesirable character.

The following data give the rapidity of growth of these societies:

Year.	No. of New Societies.	Total No. of Societies.
1873.....	30	96
1874 .....	65	161
1875.....	60	221
1876.....	38	259

Ten years later the loan and savings associations reached the total number of 442. They received from the Zemstvos in 1886 the sum of 400,000 rubles. Though the sum seemed rather large at the time, it was in no way adequate for the needs of the whole of Russia.

Besides the loan and savings associations, another type of co-operative credit was introduced into Russia. It was based on the teachings of Raiffeissen, and called for limited liability, small per cent of interest, and very small shares. The difference between loan and savings associations and the later type of co-operative credit was very great. The Luginin type of loan association was based on the principle that if a man is forced to save, saving would become a habit, and the

loans given out would be but the man's own savings. The initial capital was subscribed through shares, and only a richer class of peasants, small merchants, and petty manufacturers were able to become shareholders. The example was also copied by still wealthier people, and became a distinct feature of the city life. On the other hand, the purely credit organizations, fashioned after the type set up by Raiffeissen, did not at first accept deposits, and did not require their members to subscribe to any shares. Such shares as were sold at times were so small in value that even the poorest people could become members. From the very first, the initial capital was loaned by banks and rich private individuals. Finally, the law of 1895 facilitated the formation of these credit societies by allowing the State Bank to give the initial capital required for commencing operations. This form of credit co-operation found a fertile ground in the rural districts and in the poorer sections of the towns.

Lack of uniformity, accentuated by this vital contrast between these two types of co-operation, led to a violent polemic. It was but a repetition of the German situation. There, a compromise between Raiffeissen and Schultze-Delitzsch was accomplished after a long controversy. On one hand Raiffeissen, ordered by the government, established small shares, while his opponent was obliged to reduce his shares and charge a smaller rate of interest for the loans. In Russia, however, the disputes between the co-operators assumed important proportions, and served to advertise principles of co-operation. Though during this period Luginin's type of loan and savings associations predominated, the foremost co-operators regretted this fact. Thus Dr. von Keussler, writing on the subject of Russian co-operation, says that "considering the poverty of Russia, the Schultze-Delitzsch loan associations are inferior to the credit societies of Raiffeissen in their actual work in Russia."<sup>14</sup>

The returns for 1892 showed that due to the predominance of Luginin's type of organizations, the ground gained in many instances was lost. Thus, of the 1,438 associations of all kinds, only 800 loan associations survived. Of these 690 sent

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<sup>14</sup>H. W. Wolf, "People's Banks," p. 121.

in their returns for the year 1890, showing the enrollment of 222,905 members, a collective share capital of 6,160,391 rubles, and a reserve capital of 1,274,426 rubles. The loans made by 722 associations amounted to 16,067,929 rubles for the same year. This, of course, was a most insignificant help, considering the size of Russia.<sup>15</sup>

Much of the fault lay with the government, which did not allow any union of the various credit societies. Gradually toward the end of the century a more uniform type of credit co-operation was adopted. But the government forced them to adopt certain rulings, thus injuring the true welfare of the majority of the members. For instance, one such injurious provision set up by the government forbade the expelling of members no matter what the offense. Mr. H. W. Wolfe, in his fascinating book on the people's banks, thus describes the Russian situation:<sup>16</sup>

"It is the government harassing—the hard-and-fast rules forced upon the associations from above, interference and supervision and restrictions—which is killing co-operation. How can credit associations succeed while the government categorically forbids them to expel members? How are they to keep solvent when members, being limited in their borrowings to 'productive' purposes only, are allowed to evade that wholesome provision by first improvidently disposing of their 'productive' possessions, in order, then, to have an excuse for claiming association money for their requisition? That seems to be a device specially contrived to facilitate improvident borrowing. Thirsty moujiks know well enough how to adapt their practice to so accommodating a rule. They sell their cow, their horse, their seed corn, and having orthodoxly got through the sale money in vodka, they have a splendid pretext for falling back upon the funds provided by the philanthropic capitalists. Since the law prohibits the taking from them of their horse, their cow, cart, sleigh, harness, implements, farm buildings, seed corn up to twenty-five poods, clothes, and food and fuel, sufficient for one month's use in satisfaction of any debt, in this little manoeuvre they are

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<sup>15</sup> H. W. Wolf, "People's Banks," p. 123.

<sup>16</sup> *Ibid.*, p. 124.

perfectly safe. The whole thing has been turned into a farce and a caricature of self-help."

There is no doubt that there was much abuse of the co-operative principles by the very people whom it intended to benefit. Credit co-operation of this period was smacking too much of philanthropy. The peasants at first were bound to look upon it as charity of the well-to-do. But none the less, the seed of co-operation was planted and was bound to produce good results. Some of the conscientious co-operators began working toward a more unified effort. This received a public expression at the All-Russian Commercial and Industrial Congress in Nijni-Novgorod. A special section of this congress was given up to the co-operative societies. Numerous consumers' societies, as well as kустар artels and loan and credit associations, sent their representatives. All these delegates formed a separate department of the congress under the leadership of the presiding officer, P. N. Issakoff. The most important resolution of this section of the congress was the unanimous recommendation for forming a centralized bank for "small credit." The resolution was so worded that it in no way implied whether this central bank should be a separate co-operative body, or a special department of the State Bank. As there was already a committee in charge of loan and savings and credit associations, this resolution was turned over to this committee, with instructions to work out some sort of a plan and present the same at a special meeting at some future date.

Two years later the committee was ready to report, and a special meeting was held in Moscow. The chief recommendations of the committee amounted to a definite proposition of establishing a special co-operative bank for small credit. Each initial share was to be five hundred rubles, but shares could be sold both to private individuals as well as to co-operative bodies. However, credit advanced on the security of a note was to be given for a term of five years to co-operative societies only. This report was accepted in the following year (1899), but through the inactivity of co-operators, it remained on paper only.

The nineteenth century closed with a growing desire on the

part of the members to unite. This was true of the consumers' associations as well as of the promulgators of co-operative credit. The total results of the century were more or less discouraging. Co-operative ideas could not help the peasants, as agricultural teamwork was impossible in view of the dreadful situation in the rural communes. In regard to industrial co-operation, the same disheartening results were obtained. Pressed on one hand by increasing poverty, lack of land, and communal difficulties, and, on the other hand, offering the means of subsistence through the enrollment in the ranks of the proletariat working for capitalists, the independent kustars were not inclined to the adoption of co-operative principles and uniting in artels to combat capitalism. At the same time the Narodniki and intelligentsia in general, working either independently or through the Zemstvos, through their lack of foresight aggravated rather than alleviated difficulties in the way of co-operation. On one hand they pauperized the peasants and the workers by offering them financial help almost as charity, and on the other hand they formulated provisions such as to bar the poorest elements from the benefits of the new ideals. As for the government, it added new burdens on the co-operators by passing injurious laws and regulations and supervising too closely the entire movement. Results attained in this century were indeed very small, the whole movement being a very conservative bourgeois venture. The seed of the great idea was nevertheless planted, and it blossomed forth under different environment during the twentieth century.

### CHAPTER III

## CO-OPERATIVE MOVEMENT OF THE FIRST PART OF THE TWENTIETH CENTURY—1900-1914

Though the Russian intelligentsia, as we have seen, utilized wealth, education, and ingenuity to ameliorate the conditions of peasants and workers through the channel of co-operation, the sum total of the nineteenth century was most disheartening. Looking ahead, however, believing in the ultimate results, and bound through their personal outlook to use only such means as were legitimate in the eyes of the law, the liberals, sincerely interested in the Russian people, were bound to go on with their work. They met the new century intent on spreading, fostering, and, if need be, driving their co-operative doctrine into life and activity. Due to their previous experience, however, they looked upon the problems in a more practical way, and realized that they could not very well introduce their work into the industrial life of Russia. They knew that, besides such economic difficulties as they encountered in the nineteenth century, they would also meet the disapproval of the government. Besides, their mild doctrines of peaceful reconstruction would have found no response in the ranks of the workers, since these were already influenced by the revolutionary dogmas. Ever since the strikes of the last two decades, the revolutionists had been working among the shops and factory workers. Many of these leaders were executed for their activities; many were exiled to Siberia; but others took their places and the work went on. Consequently, with the spread of this revolutionary propaganda, the mild liberal agitation of co-operation could not influence the working class. The co-operators, therefore, were forced to go into other fields of activity, such as consumers' co-operation and credit co-operation, which helped to benefit the middle class and the peasants,

and in a very small degree the proletarians of the city. Very little could be accomplished just then, since Russia at the very outset of the century was in the throes of revolution.

Strictly speaking, the revolutionary propaganda among the workers began in 1879, when there was an attempt to organize the North Russian Workingmen's Union. Due to government persecution, this organization was of but short duration. The revolutionary propaganda, however, was carried on by the underground circles among the workers in large centers: Moscow, Petrograd, Vladimir, Tula, Kazan, Kharkov, Kiev, and Minsk. And toward the close of the century, similar organizations appeared in Warsaw, Lodz, Odessa, Samara, and Saratov. The Jewish workers also organized independently and formed a general union of Jewish workers, the so-called Bunda. The famine of 1891 and the commercial crisis of 1893 helped to organize the workers still further, and the century closed amid a bitter struggle between labor and capital—a struggle with a political background. This struggle was typified by numerous riots, some of which resulted in direct and most inspiring victories for the workers. Among these were the riots of 1894, which took place in Petrograd, the strike in the mechanical plant of Mr. Semyanikov, and also the strike of the Petrograd dock workers.

The revolutionists of the intelligentsia gave direct help to these strikes and organized a series of new ones under the immediate supervision of the "Union for the Freedom of the Working Class." In order to pacify the restlessness of the working class which, by this time, had formulated numerous definite demands in regard to wages and working hours, the government appointed a committee to investigate some of the strikes. Certain concessions, under the advice of Count Vitté, were granted to the workers. Among these, the working day was limited to eleven and one-half hours. But such small measures could not check the movement, and the strike wave continued to embrace larger and larger territories. As many as 2,000 workers at one time (1899) in Warsaw were on strike. In the south, the movement became especially active in Kiev, Odessa, and Ekaterinoslav. The immediate results of all of these strikes were the rise of wages, limitation of the worst



abuses, and shorter hours of work. But the workers had gained strength in unity and these concessions could not pacify them. Their victory also made them unwilling to listen to liberals who wanted to interest them in the co-operative movement. The workers looked upon co-operation as upon a purely bourgeois movement and were bound to go on with their political struggle.

The Russo-Japanese War also, with its heavy taxation of economic resources, brought about still more misery to the people. This war, as well as the subsequent Revolution of 1904-5, kept the country in a constant turmoil. And when the country was at last "pacified" on the one hand by the terrible, bloodthirsty revenge of the bureaucratic government, and, on the other hand, by the "liberal" measures of Stolypin, a frightful reaction set in. The general conditions were disheartening. The cost of living was very high, and now, though the working class was bound to organize its trade-union forces, and silently prepare for the future struggle, it was none the less willing to use some of the opportunistic measures to better the general conditions. When a normal condition was re-established, the ranks of the co-operators were increased by the discouraged liberals and workers who were seeking new channels of self-expression. Thus the co-operative movement was resumed once again on a larger scale than before.

#### CONSUMERS' CO-OPERATION

One of the first things the co-operators attempted to do, at the beginning of the new era, was to establish consumers' societies among all indigent classes. In 1906 the first so-called independent workers' co-operatives were founded in Petrograd. And from that time on the radical elements split in their fight for the control of the consumers' co-operatives. In 1907 the struggle between the Mensheviks, who predominated, and the Bolsheviks, who wanted to influence the workers' co-operatives, was bitterly carried on in propaganda by mouth and through the press. The Mensheviks approached the workers and offered them the chance to struggle against the high cost of living by joining consumers' co-operatives. The Bolsheviks, however, objected to these means and declared that the only

way to struggle against the high cost of living was by direct action of the proletariat. This objection culminated in a demand that the food shops and bakeries be organized by the official bodies of the cities for the common good, and be placed in the control of the workers. At that time the political struggle started for the control of the co-operatives, and reached its zenith after the November Revolution in 1917. In the meanwhile the movement itself progressed. Its strength increased and was expressed and further intensified by new alliances and unions between various independent societies.

Consumers' unions were formed near district towns or near railway junctions. These, in their turn, combined into divisional unions covering one province. Thence it was but a step to combine a few neighboring provinces into one territorial union. Later these territorial unions combined still further, embracing certain regional parts of Russia, such as the Southern, Transcaucasian, Siberian, etc. And with the need arising out of the World War, there came still further combinations tending to centralize the entire consumers' co-operation of Russia. This important centralization was not accomplished without numerous mistakes and an intensive struggle. This was due partly to the lack of precedent in Russia; partly because the territories embraced grew larger and larger, and it was harder to keep in close touch with each other; and partly because the government placed numerous obstacles in the path of large unions. Later, again the war, the Revolution, and subsequent civil war made a united effort to centralize a gigantic task.

The Moscow Consumers' Union, organized in 1898, was the first one in the field of territorial combination of Central Russia, and it set the example to other provinces. The early part of the new century was taken up with the growth of divisional combinations; that is, combinations embracing one province only. One of these was started at Kiev. It grew very rapidly, but lack of experience resulted in many difficulties, aggravated as they were by lack of funds. This union faced a deficit in January, 1911, amounting to 15,000 rubles. The Moscow Union saved the situation by stepping in and taking charge of the union in 1911, and two years later when the Kiev Union

was obliged to give up its activities entirely, it was merged into the Moscow Consumers' Union.

The failure of the Kiev Union gave a chance to the government to interfere and prevent the opening of new unions, since it claimed that they were injurious to the workers of the community. However, after a prolonged trial, co-operators found a way to gain their point. In 1912 the Warsaw Consumers' Union was formed, and in the same year a similar society was formed in the province of Perm. These new associations, as well as others that followed, were launched on the private-agreement basis, signed by all parties involved. According to the existing laws on agreements, such a contract was binding and legally constituted a union which was responsible before the members. The same year (1912) "The Association of Consumers' Societies of South Russia" was formed, and in the following year (1913) The Transbaikal Trading Association started its operations. The Petrograd society, however, submitted its articles of association to the government, and these were approved in 1913. This indicated that the government, in view of the fact that there were a number of unions based on private agreement, did not think it wise to oppose any longer the formation of unions. At the outbreak of the war in 1914, practically every province had some sort of union, or, in the absence of one, was connected with a larger territorial organization.

During this time, the Moscow Union of Consumers' Societies also gained in strength. In 1903 it began publishing its own paper, *The Union of Consumers*. Two years later it assumed still larger proportions and was recognized as the leader of the Consumers' Unions. In 1908, due to its initiative, the first All-Russian Co-operative Congress convened at Moscow. This gave the Moscow Union great prestige in the country. It was due to this that the Kiev Union, which was forced to liquidate its organization, asked the Moscow Union to step in and take over the work.

The Congress, which convened in Moscow at the summons of the Moscow Union of Consumers' Societies, was a thrilling event for all Russia. From every corner of the land came delegates, totaling 800 people. Every brand of co-operative

activity was represented, and, in order to conduct the Congress on an efficient basis, several sections were formed, each taking charge of a single branch of co-operative activity. The following is a brief graphic picture of this convention, as drawn by one of the co-operators:<sup>1</sup>

"The Congress was a great festival for the co-operative movement in Russia. It was composed of diverse elements, there was a sprinkling of military uniforms mingled with the cassocks of the priests, but peasants and workingmen predominated. There were also employees and intellectuals, working in the various co-operative organizations. Even in the credit section, where the officials of the old régime had spread their nets for the simple members of the rural societies, the ideas of democracy obtained a sweeping victory."

The Congress lasted an entire week. It was almost unbelievable that such a democratic convention was left unmolested so long. The government, hostile from the very first, finally interfered and dissolved this convention. The work of the Congress was left unfinished, but numerous gains were derived none the less. It was the first time that representatives of all types of co-operation met under one roof. The feeling of isolation was broken entirely. Publicity attached to the meeting was such that in itself it served as propaganda for the co-operative cause. The interference of the government made it still more popular with the liberals and the workers. Besides, this Congress gave such prestige to the Moscow Union of Consumers' Societies that numerous local and district unions now came under its banner.

The most interesting phase of the consumers' activity appears to be its overlapping the producers' co-operation. As soon as a union felt itself on firm ground, it immediately turned its attention to production of articles of consumption. As early as 1909, the Moscow Union had placed its own brand often on the market. In 1911 the demand for this article alone amounted to 130,000 rubles. Coffee, olive oil, and other primary necessities of daily consumption were also put on the market, bearing the union trade-mark. Numerous officers

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<sup>1</sup> J. V. Bubnoff, "The Co-operative Movement in Russia," p. 124.

representing the Moscow Union appeared all over the Continent.

The capital, as well as the turnover of the union, increased yearly, as follows:<sup>2</sup>

Year.	Capital in Rubles.	Turnover in Rubles.
1900.....	5,200	139,322
1901.....	7,900	109,302
1902.....	9,650	177,567
1903.....	11,750	260,420
1904.....	12,400	347,304
1905 ....	17,650	439,759
1906 ....	19,132	290,759
1907 ...	27,558	399,978
1908 ....	38,568	722,541
1909 ....	47,822	1,278,571
1910 ....	68,808	1,984,827
1911.....	91,194	3,597,149
1912 ....	160,257	5,911,404
1913.....	225,413	7,485,234

The number of the consumers' societies affiliated with the Moscow Union also grew steadily. The following partial data give a picture of the period:

Year.	No. Societies Affiliated.
1907.....	185
1908 ....	240
1909.....	278
1910 ....	393
1911 ....	549
1912 ....	766
1913.....	1,016

<sup>2</sup>F. E. Lee, "The Russian Co-operative Movement," p. 39.

As for the unions affiliated, the first gain was made in 1911, when a district of unions of consumers' societies joined the Moscow Union. Since then the following is the growth previous to the World War:

Year.	Unions Affiliated.
1911.....	1
1912.....	7
1913.....	9

In August, 1913, a second Congress of co-operatives was held. This time it convened in the south, having chosen the city of Kiev as the meeting place; 900 organizations were represented, and the total number of delegates were 1,400. The government permitted this convention to be held but appointed a government official as chairman. Whereas the Congress held in 1908 discussed the basic principles of co-operation, the Congress of 1913 went ahead, having chosen for its main subject: "Federation of Co-operatives." Though such a federation was unanimously desired by every branch of co-operative activity, there was a decided divergence of opinion as to its composition. The delegates representing the extreme eastern co-operatives (such as the Ural and Siberian organizations) were of the opinion that the thing of primary importance was to build up strong regional unions, and that a central federation could be formed by delegates from these unions. This would force local organizations, no matter how large, to belong to their regional unions, and thus be represented in the central union. The same opinion prevailed in Ukraine. On the other hand, delegates representing central provinces promoted an idea of centralized unions based on equal representation, and including local societies as well as unions. The Moscow Narodny Bank, as well as the Moscow Union of Consumers' Societies, was inclined to favor the second plan. Central unions based on loose federalistic principles would only unite the provincial and regional unions. These

in their turn, likely as not, would have competed with each other regardless of the interest of the locals. At the same time, the central organization could not very well rely on the support of the locals since it should have been only indirectly connected with them. Besides, there were numerous local organizations fully as powerful as the provincial unions. These were unwilling to affiliate with the provincial unions, and it seemed both unjust and unwise to place them outside of the central federation. For all of these reasons, the final vote was cast in favor of the second plan, the promoters of the federalistic form being defeated. During these discussions it was evident that the Moscow Narodny Bank was to become the All-Russian central organization, uniting credit organizations as well as a part of producers' co-operatives, whereas the Moscow Union of Consumers' Societies remained the leading organization of consumers' societies and of those producers' unions which were allied with them. The future work was then outlined, and the basis of federation settled.

Numerous other questions of interest were presented at this debate. One of these dealt with the problems of employees within the ranks of the co-operators. Uniform rules involving hours of work and pay were decided upon. The Moscow Union set a splendid example by suggesting the formation of a special department to attend, in a more efficient manner, to all labor problems. Another committee was appointed to take charge of the legal status of the entire co-operative movement.

One of the most interesting debates also centered around the question of education. Some of the co-operators felt that only in so far as education touched upon co-operative activities, they were to support it as such. Others took a broader view, feeling that co-operation could never be successful unless illiteracy and drunkenness were to be overcome, and proposed to center educational activities only around these main points. There were still others who looked upon the co-operative movement from a purely broad point of view and who felt the co-operative movement should support educational propaganda, no matter what form it took. To the credit of the

delegates, be it said that this last broad interpretation of inter-relation between education and co-operation won the day.

As a result of this decision, co-operatives generously contributed not only toward courses and lectures of co-operation, bookkeeping and accounting, but also toward primary and secondary schools in rural districts. Large sums of money were also set aside for building and maintaining People's Palaces fashioned after the English type as presented by Walter Besant in 1887. This was not a typically Russian movement, since these People's Palaces were to be found all over Europe. In Russia, the Zemstvos took the lead, and founded a number of these palaces. The co-operatives contributed largely to this movement. These palaces housed libraries, reading rooms, model shops, lecture halls, and motion-picture shows. The People's Palaces disseminated not only education, so necessary in Russia, but also the principles and ideology of co-operation.

#### PRODUCERS' CO-OPERATION, 1900-1914

While the tendency to combine and unify individual activity was characteristic of consumers' societies, the same was also true of producers' co-operatives. With the dawn of the twentieth century, co-operative activity spread into agricultural and industrial life, and there arose producers' co-operation, based on Rochdale principles. It is interesting to notice that the rise of this type of activity started not in Russia proper, but in her Asiatic possessions, primarily in Siberia. This sudden emergence of Siberia into the foremost ranks of the new activity was not accidental. Numerous deep causes lay behind this movement, the same facts formulating the type of co-operation it first developed: cattle breeding and all its allied branches.

Siberia, being so far removed from the center of political unrest, felt the Revolution of 1905 little, if at all. Its political spirit was, therefore, quiescent, and the native people were ready to seek self-expression in some legitimate form. But, primarily, the readiness of Siberia to enter into the new fields



of co-operation was due to the economic conditions so vastly different from those of European Russia. The country itself was wonderfully rich in its resources, and presented a possibility for intensive cattle breeding. Insufficiency of land pastures, poor quality of those available, and scant supply of fodder, together with the ignorance of the peasants—all made cattle breeding in Russia out of the question. But Siberia presented a different aspect entirely. Spacious fields, native cattle of good stock, and natural resources of the land enabled the natives to live in greater comfort than their brethren in Russia. These conditions made cattle breeding a possibility easily realized and gave rise to intensive production of butter. Then, again, statistics of 1913 show that, whereas in Russia there was a cow to every four people, there was, in Siberia, one cow to every two people; or, to be more exact, in European Russia there were 24.9 cows per one hundred persons, while in Siberia the average was 69.7. A great financial help was rendered to the Siberians by the Russian Government, which built a railway that stimulated the commerce of the entire region.

There was still another factor that stimulated production on a larger scale than in the preceding century. This was the large number of immigrants who came to Siberia in increasing numbers, and were ready to work at whatever the country offered. Most of these people came from Russia, leaving behind them widespread poverty. Coming into Siberia, and finding an easy way of making a comfortable living, they turned to agricultural and industrial life, giving it a new impetus. Many of these immigrants came in groups, united as they were by their common birthplace, and, often, besides, by their kinship. They were willing to work as groups, and, therefore, the first step to co-operation—that is, the willingness of teamwork—was germinated in the immigration itself.

The following figures will give an idea of the enormous proportions of the emigration of peasants from Russia proper into her Asiatic territory:<sup>3</sup>

<sup>3</sup> J. V. Bubnoff, "The Co-operative Movement in Russia," p. 14.

Year.	Number Emigrated to Asiatic Russia.	Number Returned Back.
1900.....	176,249	45,582
1901.....	88,964	33,255
1902.....	81,921	25,716
1903.....	94,289	21,027
1904.....	40,000	9,302
1905.....	38,760	8,063
1906.....	130,064	13,659
1907.....	427,339	217,195
1908.....	664,777	45,102
1909.....	619,520	82,287
1910.....	226,062	.....
1911.....	257,585	57,319
1912.....	327,430	42,956
1913.....	323,000	14,500

This table, first of all, shows that the heaviest emigration from Russia occurred from 1908 to 1910. The government helped the immigrating peasants by giving them a subsidy, which for 1913 alone amounted to 30,000,000 rubles. Some of these immigrants came with small funds and immediately settled down to some form of agriculture, primarily cattle raising. Others entered into various industries, and still others went back to Russia. At no time, however, did the number of people who returned exceed half of the entire immigration of the year. The new arrivals supplied Siberia with workers, who, uprooted as they were from their former homes, were ready to enter into new ventures, and utilize whatever opportunity there was.

Most of the immigrants settled in Western Siberia. This part was composed of the following provinces: Tomsk, Tobolsk, and Ennissey, and the District of Akmolinsk. These regions were known for their export of grain and general abundance of wealth. This drew the attention of many speculators and resulted in cutthroat competition. In order to combat the evils of competition and speculative production,

and also in order to purchase the newly invented machinery which simplified labor, the peasants of Western Siberia were the first ones to adopt co-operative principles and establish co-operative artels. These increased in number so rapidly that there came a need for larger combinations. As a sequence, there was formed in 1908 the first union: Siberian Union of Co-operative Creameries. It covered the provinces of Tomsk and Tobolsk, and centralized its activity around the city of Kurgan. Nor was it long alone in the field. In 1909 the second organization was formed under the name of Altai Union of Creameries. At first it was but an offshoot of the Siberian Union, but later it gained larger territory and branched out as an independent organization. It centralized its activities around the southeastern part of Siberia. It became an independent organization in the early part of 1914. Butter-making artels were also found in the extreme eastern regions of the country. These were formed as an alliance; not as a separate union, but as a part of the Siberian Agriculture Association, with headquarters in the city of Krasnoyarsk. In 1912 there came into being still another union of creameries, uniting all the regions not covered by the other unions. It adopted the name of Zabaikal Union of Co-operative Creameries, and centralized its activities around the city of Chita. The productivity of these regions of Siberia is enormous. During a normal year previous to the World War, Siberia exported<sup>4</sup> grain to the amount of 180,000,000 rubles; meat and hides to the amount of 40,000,000 rubles; and butter up to 80,000,000 rubles. Seventy per cent of the butter was made by co-operative artels. Twenty-eight per cent of this was put on the market by the Siberian Union. The Altai Union controlled just about the same amount of butter as the Siberian Union, whereas the rest of the output was credited to the other two unions.

The steady growth of butter artels is indicated in the following table, which, however, only refers to the growth of the Siberian Union:<sup>5</sup>

<sup>4</sup> Dmitry Illinsky, "Siberian Co-operation," p. 10.

<sup>5</sup> Prof. G. G. Shvittau, "Russian Co-operation on the International Markets," p. 13.

Year.	Total No. of Creameries.	No. of Artels.
1896.....	29	5
1900.....	1,022	32
1902.....	1,980	60
1905.....	1,943	347
1910.....	3,109	1,337

The table above covers the figures as given for the provinces of Tomsk and Tobolsk. The data for other sections and for other unions are not available. The initial capital of the Siberian Union was borrowed and amounted to 21,000 rubles. The men at the head of this union knew not only the creamery business, but also the peculiarities of the Siberian situation. Their chief reason for success lay in the articles of association, which they worked out and which served other unions as a model. Much of the success was due to the initiative of Mr. A. Balashkin, a pioneer of this movement.

The new union, first of all, demanded that all the butter produced by the affiliated bodies should be sold through the union. At the same time, all orders for requisites, food supply, machinery, and the like, were to be purchased through the same source. In order to make this clause a living force, non-compliance was to be punished by a fine of five hundred rubles. The shares were to be valued at one hundred rubles, and each artel was obliged to purchase at least one. The initiation fee was fixed at ten rubles. As to each artel's liability for obligations of the union, these were fixed according to the number of poods of butter produced during the previous year, the rate of financial obligations being fifty kopeks per pood of butter produced.

The articles of association called for purchases through the union, and so, accordingly, numerous co-operative consumers' shops directly connected with the union and its affiliated artels were established. The members of artels turned their milk supply over to the artels which, having produced butter, then shipped it to the union. At the same time the members, being

obliged to trade at the artels' distributive shops, benefited by the rate of profits given by the artel, by its consumers' shop, and also by the profits of the union with which they were affiliated. Besides buying in large quantities, the unions were able to put on the market goods for consumption at much lower prices than those of the other retail stores. The main difference between the regular consumers' shops and those connected with the butter-making artels lay in the fact that all trade in the latter was conducted on the basis of credit. Then, again, membership was obligatory, whereas in the ordinary consumers' societies membership was voluntary. For obvious reasons these shops were very popular and their number increased yearly, as is indicated by the group of figures below:<sup>6</sup>

#### ARTELS CONNECTED WITH THE SIBERIAN UNION

Year.	Turnover in Rubles.	No. of Creameries.	No. of Stores.
1908.....	2,880,000	65	12
1909.....	2,924,000	108	20
1910.....	4,355,000	181	34
1911.....	4,255,000	218	54
1912 ....	7,485,000	328	133
1913.....	14,066,000	563	502

While data connected with the growth of other unions of creamery artels are incomplete, yet the general figures show that they were developing along the same lines as the Siberian Union. Being of later origin and covering regions not as thickly populated, the number of artels and stores connected with these younger unions was not as large. The general tendency, however, was the same as of the Siberian Union of Creameries. Butter-making artels at this period also appeared in Russia proper. They centralized their activity in the provinces of Yaroslavl and Vologoda. They also formed unions, but on a much smaller scale than in Siberia.

<sup>6</sup> Prof. G. G. Shvittau, "Russian Co-operation on the International Markets," p. 63.

## CO-OPERATIVE CREDIT ASSOCIATIONS—1900—1914.

While consumers' associations and producers' societies were assuming new proportions and were spreading throughout Russia and Siberia, co-operative credit associations also grew in size, strength, and importance. During the past century co-operative credit associations were either philanthropic or else very commercial affairs, tending either to pauperize the indigent classes or to benefit only a small portion of them. Lack of unity was felt keenly, and the century closed with an attempt to formulate a central bank which would unify and strengthen the whole movement of co-operative credit. And so, though having accomplished very little, the co-operators, through their various mistakes, were feeling their way toward the bigger possibilities which lay ahead. The thing most desired by the co-operators was the formation of unions, and to that end they started a wide agitation.

Early in the new century, a uniform program was worked out. The articles of association became uniform. Strange to say, the government was a great help in this respect. According to the laws of the country, any association formed for banking purposes had to submit its articles of association to the department of the Secretary of the Interior, and be officially approved by that department. These approved articles of association were published in the annual series of the departmental publications. In this way, the Russian Government helped to formulate a uniform scheme for all credit associations. Whenever a new organization was to be launched the members would adopt one of the model articles of association, since by doing so they avoided any objections on the part of the government. The law regulating the establishment of credit associations was originally issued in 1895. In 1904, though retaining its inner meaning, the law was amended. The establishment of new credit associations was to be sanctioned by a local office of the State Bank, the official responsible in the matter being the Inspector of Small Credit. If a credit association was promoted by a local Zemstvo, no preliminary petition was to be necessary, provided the model

articles of association were to be adopted; otherwise permission was to be petitioned for.

The purpose of a credit society was to enable its members to get credit for business purposes. Both men and women of all classes were entitled to become members, but preference was given to those who were directly connected with some commercial or agricultural enterprise. The society was to have at least fifty members, and no member was permitted to be a participant of any other organization. Likewise, since formation of unions was still forbidden, a credit society could not be a member of any other organization. The privileges of the members consisted, first, of credit, and, second, of such profits as were derived from the operations of the society. Likewise, responsibilities of these members lay in the participation, control, and administration of the organization and share of such losses as may have been incurred. The credit given to each member was in direct ratio to such guarantees as they were able to give. The smallest credit given was three hundred rubles, and the largest, no matter what guarantees were offered, could not exceed fifty times the smallest credit. The smallest credit could be increased with the progress of the society, but the ratio between the minimum and the maximum credit was to be kept 1:50. Anything which had a distinct market value, such as property, and insurance on such, government bonds, and ordinary notes, could serve as guarantees. But, again, if no such guarantee was available, one could become a member provided the membership committee would vouch for him. Furthermore, a person was entitled to membership without offering financial guarantee, provided some person whose word the committee was willing to accept would vouch for the new member. The credit given, therefore, was in proportion to the value of the security or according to the recommendation a member secured and presented through the membership committee. These regulations offered the possibility for an honest man with a good character, or for a skilled artisan, without a special financial security, to become a member, whereas others, because of their financial standing, could secure the same privilege. In these

provisions the two contemporary German systems merged one into the other.

The members were obliged to make an initial payment of ten per cent of the total amount of credit given. That is, if a member received about three hundred rubles credit, he had to pay thirty rubles as his initial payment. The capital consisted of all these initial payments and the credit supplied by the State Bank or by private banks. The credit society was to charge the same rate of interest as the State Bank. If the credit society wanted to increase its rate of interest over one per cent more than the one charged by the State Bank, the consent of the entire organization was to be required. Numerous paragraphs of the articles of association were also devoted to the liability of the members. Though each member paid only ten per cent of the credit allowed him, still he assumed the responsibility not only up to ten per cent, but up to the entire credit given him. In case of any losses of the association which might not have been covered by its profits, the initial payment was utilized to meet the responsibility. If the entire initial payment was used up in this way, the member was expelled and lost all privileges to which his membership entitled him. But if only a part was used up, and he was unable to meet the shortage, his credit was lessened, or he was called upon to give larger security.

Besides these general loans, initial payments, and rate of interest, the articles of association provided for further bank operation of the company. A credit society could discount notes of commercial character. Two signatures were necessary as indorsement of such a note. Ordinary loans were given out only for six months. However, the members were also entitled to get current credit loans "on call" according to the collateral of the security. These special accounts could be called in at any time by the society, and, again, could be cancelled at any time by the member to whom the special credit was given. The collateral could be as follows: Bonds guaranteed by the government, the valuation of which could not exceed ninety per cent of the market value. That is, the society left a margin of ten per cent for the sake of such fluctuation as these bonds might possibly incur. A credit



society could utilize the margin thus left and get credit on these bonds in some other banking institution. The credit society also could accept stocks and bonds not guaranteed by the government, but the value given was fifty per cent of the market price, a larger margin being left because of the greater fluctuation in value. Then, again, any kind of non-perishable goods could be given as security. In such cases, the company was to demand a fire-insurance policy as an extra guarantee, but the credit advanced could not exceed two-thirds of the market value. Moreover, the insurance had to exceed the total loan by at least ten per cent. Loans also could be given on new purchases, provided bills of lading and other shipping documents and insurance of such were presented. Credit thus obtained could not exceed two-thirds of the total market value, whereas the insurance again had to be at least ten per cent above the total loan.

Besides these direct loans, the co-operative credit association was entitled to conduct other branches of banking. Thus it could receive and execute orders to buy or sell bonds either at home or abroad. But at no time could it execute such commissions unless full payment for these was made beforehand. The society could accept money orders to be sent to other cities or banks. Likewise, it could remortgage or discount any note in other banking institutions. It could also accept savings deposits from members or non-members. These deposits were accepted with the direct understanding that the interest on this money was to be used for loans. This last clause was in the nature of a check upon the credit societies which might have interfered with regular banks. It provided that, though accepting deposits, they could give no inducements of a commercial character. The outsider was safeguarded so that, in the case of the liquidation of the business, his money was to be returned prior to any other claim by the members. The credit association could also accept diamonds and other precious stones and give loans upon them. In case they were not redeemed by the time specified, they were sold by the association. The total sum of deposits and discounts on notes of non-members could not exceed the total turnover more than five times. And the

financial obligations toward members and non-members could not surpass the turnover capital more than ten times. At the same time, the actual balance on hand in the office, including the deposits in the State Bank, was to be at least ten per cent of the total obligations of the society.

Regulations concerning the division of profits also present points of interest. Fifteen per cent was turned over to the reserve fund, ten per cent toward a special fund to be used for acquiring real estate to be maintained as headquarters of the association. The rest of the seventy-five per cent of the net income was to be divided between the members in proportion to the credit held in the co-operation. However, this had to be within, not over, seven per cent above the ten per cent of their total initial payment. In case this reached over the above specification, then only seven per cent was given, and the remaining clear profit was divided in the following way: fifty per cent was divided evenly between all the members, and the other fifty per cent was given only to those members who, during the past year, had used the association for loans, deposits, discounts, and current accounts. That is, in case the association at the end of the year found that its profits were very large, it gave a special premium to those who, through direct dealings with the association, helped to swell that profit. And this division was made proportionately to the interest paid by the society for all the deposits plus all the interest paid by the member for all the loans, special credit, discounts on notes, and such commissions as purchasing and selling bonds of all kinds. This provision helped to influence the members in a commercial way to transact all their banking in their own association.

In order to control various operations of the co-operative credit society, the articles of association provided a complex system of supervision and management. It consisted of: (1) general assembly; (2) the council; (3) executive board; and (4) membership committee. The general assembly were composed of all members of the association. Each man was entitled to a vote, but in case of inability to attend, his vote could be cast by another member provided that written permission to that effect was sent in at least three days prior

to the meeting. At no time, however, could one cast more than one vote besides his own. The assembly met once a year, but special meetings also were called in emergency. Each time, notice of such meeting was published in a local newspaper, and also notices were sent to the members. A quorum was reached, not according to the total numbers present, but according to the sum total of initial fees paid in by the members. The articles called for a quorum of at least one-third of the members present, whose holdings would amount to at least one-third of the capital of the association. Only such questions as were specified for discussion and announced in the notices calling for the meeting were discussed. All decisions were final and obligatory for the entire association, the council, the office, and the membership committee. A special presiding officer was elected each time, but at no time could he be elected from the members serving in the capacity of the council or the executive, or in the membership committee. The questions for discussion covered the following possibilities: election of members of various committees; radical changes in any way influencing the working of the association; decisions concerning expenditures and profits; adjustments of complaints; the budget; and so forth.

All the preparatory work for this assembly was done by the council, which consisted of six delegates elected by the assembly, out of the total membership. These delegates served three years. The council elected its own presiding officer who served for one year. The council met at least once a month. The councilors were entitled to one vote each, but, in case of a tie, the vote of the presiding officer decided the issue. The council had to decide numerous questions: maximum of credit to be given to any one member; rate of interest for all transactions of the association, and rate of commissions charged; proportion of the budget for necessary expenditures, these to be approved by the general assembly; auditing the monthly statements of the executives; charge of sales of securities when they become the property of the association; and also the appointments and dismissal of bookkeepers and cashiers of the executive office. Though responsible before the law of the country for the honorable

execution of their duties, the councilors were not responsible for any losses incurred by the society. They shared these only in their capacity as members of the association.

The executive board was composed of three members elected for three years. These, in their turn, elected a president for one year. In case of any vacancies in the office, a delegate was appointed by the council to take charge over its own membership constituency and, while thus substituting, the delegate had full privileges and responsibilities in the office. The executive board took charge of all direct transactions of the association. Under its direct supervision the clerks attended to their duties, accepted deposits, and gave out loans. The executives thus were really the managers of the office transactions.

The last but not the least one in importance was the membership committee, which had to interview all new applicants and decide about their desirability as potential members. It had to investigate their financial standing and look over the securities offered, decide about credit to be extended to each one, and determine the amount of notes to be accepted from applicants. In fact, this committee was the very first one which was formed to safeguard the society from undesirable members. The committee itself was composed of ten members who were to serve one year, but half of them were to be changed every half year, so that there were always five old and five new members serving. Members could be re-elected, but only after an interval of at least six months. Men serving on the membership committee were all paid for their work, the amount and the form determined by the general assembly. This was done only during the years when there was a clear profit justifying such expenditures. This made an essential difference in compensation of men serving on the council, or on the executive board, or on the membership committee. Whereas the members of the executive board were always paid a regular salary or were given a dividend, the councilors, like the membership committeemen, were compensated only during the profitable years.

Over all these committees there was still another check—that of the auditors, three in number, who from time to time

went over the books and presented their yearly statement to the general assembly. This yearly statement, as well as the monthly accounts of the executive board, had to be presented to the Government Department of Finance, which also reserves the right to supervise, through its inspectors, the financial data of the association. The supervision went even further, and these officials were oftentimes present at the general meetings and at such conventions which took place between the various associations. This supervision was most undesirable, as it was done in such a way as to make the co-operators feel that their every step was watched. In the cities where the intelligentsia took an active part, this supervision was not as much felt as in the villages, where the peasants were kept from joining the credit societies from their very fear of there encountering the government agents. However, this supervision could not be avoided, as the State Bank provided initial loans which were indispensable to the formation of the society. Thus, toward the end of 1912, the sum total advanced by the State Bank to the credit societies amounted to 124,964,700 rubles. Such help was necessary, as it enabled those with very little capital or no capital at all to join the credit association. This explains why this form of co-operation suited the Russian people more than the savings and loan societies which, having the same object in view, could not reach the poor classes of society, as the capital was not given by the State Bank, but subscribed through individual shares. Only the most prosperous provinces, such as the Baltic and the southern provinces, still retained this form of association.

The above analyzed articles of association were typical of the entire co-operative credit movement in Russia. There was this difference between credit societies of the cities and those of the villages: In the cities there was a large field for discounts and banking on a large scale. In the villages there was a great need of credit in order to buy grain, seeds, machinery, and so on. Instead of actual loans in money, therefore, the villagers adopted a plan of advancing such materials, and having a ten per cent payment made on the total pur-

chases. The village co-operative credit association, therefore, took on a form of wholesale distributive association. Numerous warehouses became the necessary feature of the credit association. It was also very typical of the pre-revolutionary period to have the credit societies undertake various other forms of co-operation in the rural centers. However, the credit associations in the villages did not oblige their members to buy through them. They advanced loans the same as the city credit societies. But as the education of the members advanced, they began to realize the advantages of co-operative purchases, and placed their orders through the credit society in which they were members, and the society allowed them to pay in installments. However, this distinction was made between the farm laborers and owners of land. The former was an outsider, could not be depended upon, and consequently could not be admitted as a member. Thus the lowest stratum of society in the villages was outside the pale of co-operation. Then, again, the credit association in the rural centers overlapped the consumers' associations. This association also leased and built works of all kinds, made advances on the crops, and collected and sold corn, flax, hemp, eggs, cotton, hay, and so forth.

The constituency of the credit associations of this period was made up of poor peasants, owners of not more than five dessiatins of land (5.4 to 13 acres). Many of the members had but one horse, and some not even that. But land ownership was demanded by the articles, and, therefore, farm laborers were excluded. The leaders of these societies were mostly peasants, and sometimes illiterate. The intelligentsia stood apart from this movement, only a few participating. This was partly a reflection of the government regulations, which even definitely precluded their participation in the "Mir." J. V. Bubnoff, writing in 1918, gives the following statistics<sup>7</sup> as to the education received by the members of the board of directors and council of the co-operative rural societies:

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<sup>7</sup> J. V. Bubnoff, "The Co-operative Movement in Russia," p. 57.

STANDARD OF EDUCATION.				
	University.	Intermediate.	Elementary.	Illiterate.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Board.....	2.7	11 2	85 4	0 7
Council.....	4 2	10 5	83 5	1 8

The growth of the membership of the credit associations of all types prior to the World War was as follows:<sup>8</sup>

Year.	Membership.
1905.....	564,000
1906.....	704,000
1907 .....	933,000
1908.....	1,384,000
1909.....	1,943,000
1910.....	2,610,000
1911 .....	3,447,000
1912 .....	4,747,000
1913.....	6,594,000

Some of the societies issued a set of general statements or moral practical admonitions instructing the members as to the general values of credit co-operation. There is something typically Russian in the directness of the appeal to honesty and morality of the members. Mr. Bubnoff gives the following commandments issued by the Myshkin Co-operative Credit Association:<sup>9</sup>

(1) Never ask money from a usurer. You can get credit from your society.

(2) Before asking for an advance, think twice whether you really need it, and whether you will be in a position to repay

<sup>8</sup> J. V. Bubnoff, "The Co-operative Movement in Russia," p. 51.

<sup>9</sup> *Ibid.*, pp. 58-59.

in time. It is easy to take money, but it is more difficult to pay the money back. Take no more than you need, and fix the date of repayment for a time when you know you will be in funds.

(3) Pay no attention to the evil-intentioned gossip of the usurers and other enemies of the society.

The thing that helped the credit co-operatives to enlarge their scope of activity was the rise of the credit unions. From the nature of the basic difference between disjointed effort of co-operation and that of a uniform movement, the rise of unions was a most desirable thing. But the government, always against any combinations of people, was dead set against it. Great difficulties lay before the co-operators, and very little hope was held out to obtain the necessary sanction of the crown. Therefore, the co-operators seeking some means of legalizing a union were forced to accomplish unity without asking for government permission. Credit co-operation involved many talented and educated people who made this movement their life work. One such worker was the legal advisor of the co-operators, Prince K. Kekuatov, who indicated a loophole of escape through which the government permission could be avoided. Claiming that the object in view for formation of the unions was that of uniting their forces for buying, improving, and constructing the means of production and consumption, Prince Kekuatov indicated that the law of the state did not call for the government's permission. Consequently, an ordinary notary-public agreement was sufficient, the general laws of the state protecting all agreements entered into by persons or societies, provided their purpose was lawful. And so, in a land where permission of the government was of prime necessity, there arose unions working on the basis of private agreements. There were altogether almost two hundred unions before the government was forced to acknowledge them and approve of their articles of association. This happened in 1915, when the government sanctioned for the first time the formation of seventeen unions.

The lack of government sanction, though not interfering with the formation of consumers' unions, interfered with the



progress of the credit unions, because the government did not allow them to accept deposits. The first credit union was founded in 1902 by A. A. Beretti. It was organized in Berdiansk, province of Kherson. The progress of forming new credit unions went on very slowly. This stamped the entire movement, because other unions depended largely on the co-operative credit. In 1911 this permission to accept deposits was at last obtained and rapid growth followed. To get an idea of how important this permission was to the growth of credit co-operation, the following item may be used: Taking four years, from 1911 to 1915, the operations of the Kiev Credit Union increased fourfold; those of Melitopol seventeen times, and those of Berdiansk thirteen times. These three unions were the oldest credit unions in Russia, the Berdiansk Union being formed in 1902, the Melitopol Union in 1903, and that of Kiev in 1907.

The credit unions, having as their chief object the supplying of other credit co-operations with money, sought to cover as much area as possible. Therefore, though possibly much smaller in number than would be expected for the size of Russia, their limited number is explained by the large area they covered. As soon as the government gave its sanction to the formation of credit unions, a large growth of these followed. Thus, in July, 1915, there were only eleven credit unions. These grew in numbers, and in 1917 they had increased to seventy-six unions.

Since these credit associations and their unions were, on one hand, supplying the peasants with seeds, fertilizer, machinery, and money with which to improve and enlarge the produce of their labor, and, on the other hand, were collecting this produce and serving as intermediaries between the isolated peasants and the world markets, their service and status were of a great value to Russia. In order to realize the significance of co-operative credit associations in Russia, one must keep in mind the significance of agriculture in the national life of that country. This can be best illustrated by the following list of the average annual exports from Russia during the four years immediately preceding the World War. It amounted to \$650,-

000,000, or about 1,200,000,000 rubles, and was made up as follows:<sup>10</sup>

Type of Export.	Per Cent.
Grain .....	42.9
Eggs .....	5 0
Flax and Hemp .....	5 9
Butter .....	4 1
Sugar .....	2.7
Oil and Oil Products .....	2.5
Oil Cake .....	2 4
Oil Seeds .....	1 6
Hides and Skins .....	2 0
Timber .....	9 7
Furs .....	1.1
Platinum .....	1 0
All other Products ..	19 0

This table indicates that, whereas grain exports alone amounted to 42.9 per cent, the entire agricultural export was 69.2 per cent of the total trade. In view of such significance of agriculture, the credit societies and their unions, which fostered the increase and improvement of the agricultural produce, became an important factor in the national economy of Russia. Having attained a large following, and desiring to consolidate their work, the credit associations decided to form a central bank which would unite and co-ordinate the entire credit co-operation of the country.

#### THE RISE OF THE MOSCOW NARODNY BANK

The Russian co-operative movement of the early part of the twentieth century, in spite of its intrinsic value, benefited only a minor part of the population. This was mainly due to the fact that the poor people who needed it the most could not very well take advantage of the co-operative ideas, for they lacked the necessary capital to get started. This lack

<sup>10</sup> A. V. Backaloff, "Russian Agriculture," *The Russian Co-operator*. Dec., 1920, p. 149.

of capital interfered both with the welfare of rural inhabitants as well as with the large class of city proletarians. At the same time, while some co-operative unions lacked money to enlarge their business, in some other parts of the empire there were unions which, in their capacity of credit organizations, collected a large amount of cash and found no ready channel for utilizing this money. Hence it seemed advisable to establish some sort of central bank whose chief duty it would be to supply money to those parts of the country which needed it the most, and to relieve those unions which had extra capital. A normal exchange of money would thus be established.

It seemed inadvisable to use private banks for this purpose, since their basic difference prevented them from working harmoniously. In the first place, private banks were established to help the growth of capitalistic undertakings, while the co-operative movement was to combat these. Again, each bank was a commercial undertaking in itself in the hands of capitalists, and, hence, their disinterestedness as agents could not be forthcoming. In fact, the success of credit and savings co-operative unions was mostly due to a self-evident truth that any deposits in ordinary banks increased the strength of capitalism, the foremost enemy of the masses.

Possibly because the matter was so vital, and possibly because it was new, the preliminary work was postponed from year to year. In 1896 this question was first recommended for discussion at the convention at Nijni-Novgorod. But this declaration, as well as the subsequent recommendation of 1898, though accepted by the convention of Moscow, was to remain inactive for many years. After the Revolution of 1905, the co-operative movement began to grow so fast that the lack of credit was felt keener than ever. In 1907 several of the leaders of the co-operative movement decided to make a thorough study of co-operative banks in Western Europe. In January of the following year a committee was appointed in Moscow to work out plans for a co-operative bank. There were eighteen people serving on that committee, Professor B. I. Jeleznoff being the chairman.

At the same time this problem was discussed in Petrograd

at the convention of delegates from four provinces, representing all the credit and savings co-operative unions from the provinces of Novgorod, Poskov, Olonezk, and Petrograd. It is most interesting to notice that, whereas from the very first the Moscow leaders stood for the establishment of a co-operative bank, the Petrograd committee viewed this question in an entirely different light. The spokesman at the Petrograd convention was C. B. Borodaevsky. First of all, he gave a résumé of his intensive study of this problem in Western Europe. There were various types of centralized credit unions in Europe at the time. Some of these seemed to be unsuitable for Russia, while others appeared to be impractical, due to their dependence on the money market. A purely co-operative bank seemed to be the most desirable type, but there were only a few purely co-operative banks in existence and, moreover, there were grave doubts as to whether the government would allow a purely co-operative bank. And, furthermore, so long as there were but a few large unions of rural credit associations, a purely co-operative bank could not function without numerous difficulties. Therefore, Mr. Borodaevsky recommended the adoption of the government centralized bank, similar to those founded in Prussia. The funds of such a bank were supplied by the government, and it was, in other words, only a special branch of the State Bank.

It is most interesting to know that this plan, so reactionary in its suggestions, met with opposition from only two members of the convention. Their objections consisted mainly of facts indicating that capital could be obtained from the co-operative branches already in existence. This argument did not meet with much success and the convention adopted the two following solutions:

(1) The co-operative credit and savings unions were to demand government loans at the ratio of 5,000 rubles for each 1,000 men.

(2) The co-operators were to form a central bank for small credit, initial capital for which was to be supplied by the government.

Such opposite tendencies as were shown by these conventions could not exist without coming to a clash. This occurred at the All-Russian Co-operative Convention in 1908. Two whole days (April 18th and 19th) were given over to this question, and most heated arguments took place. The Petrograd faction were represented by their spokesman, Mr. Borodaevsky, who repeated his recommendations to start a bank according to the Prussian type. It is not to be denied that the prospect of a fund of 100,000,000 rubles to be advanced by the government, a sum which could solve the problems of credit, was tempting. At the same time, the recommendation of Professor Jeleznoff, who represented the Moscow faction, was also met with enthusiasm. He recommended establishing a co-operative bank, the shares of which would be owned by private individuals and by co-operative societies.

The following resolutions were finally adopted by the Congress:

(1) Although a central All-Russian purely co-operative bank was most desirable and necessary for the development of the entire co-operative movement, the establishment of such an institution was not feasible at this time and its realization was to be postponed until such time when the local credit unions would be of a stronger nature than at present.

(2) It is more feasible to establish a Moscow bank for small credit after the fashion of Italian and French banks, composed of private and co-operative funds, with preference to interest the co-operative societies. The men supplying private funds should be admitted in such a way as to guarantee the safety of co-operative interests.

(3) That the committee which was in charge of this work so far should continue its work on that project. Various representatives of credit associations should co-operate with this committee.

(4) That the establishing of the government bank according to the Prussian type was not to be thought of.

The committee, thus instructed, continued its work, and

after an intensive work of several months, finally submitted the articles of association in the following form:

- (1) Initial capital to be fixed at 500,000 rubles.
- (2) Each share at 100 rubles.
- (3) Private individuals to have the right of shareholdings, but,
  - (a) They can have no credit in the bank.
  - (b) They can vote provided they have ten shares.
  - (c) One share entitled each co-operative to a vote.
  - (d) Long-term credit could not exceed five years.

In the early part of January, 1909, the committee was ready to submit this report. A special meeting was held which lasted three days, and which was attended by numerous representatives of the co-operative movement. The chief objection to the report was due to the fact that such a bank was to deal only with credit and savings societies. It seemed possible to enlarge this project and include all co-operative societies. It was suggested that bonds or shares up to 1,000,000 rubles be issued and that the entire co-operative movement be included in this project. In other words, once again a central All-Russian co-operative bank was voted on, and this time the committee had to revise its report. These articles of association were ready and submitted for approval to the Minister of Finance, September 9, 1911.

Although, as we have shown, the committee worked slowly, consulting the legal restrictions of the country in regard to banking, though the form submitted was conservative, the government was in no way ready to adopt it. Hoping to limit and hinder the growth of the new bank, yet mindful of the lesson of the Revolution of 1905, the government, through its Department of Finance, suggested numerous changes which, for fear of losing entirely, the co-operators had to accept.

The first change was in regard to the price of each share. Whereas, originally, in order that even the smallest rural co-operation could secure a share, the price of it was set at 100 rubles, the government raised this price to 250 rubles. This

increase of two and one-half times was a clever move on the part of the government, as it was expected that only the richer and more conservative element would take advantage of purchasing shares. Furthermore, the government demanded that half of the entire capital should be raised within six months. Should the co-operators be unable to raise this amount in time, they were to give it up entirely.

The next few changes concerned the democratic make-up of the bank administration. Trying to adopt a true co-operative idea, the committee wanted to give each society one vote regardless of the number of the shares held. The government ruled that both individual shareholders and co-operatives could have as many votes as they had shares. The administrators could be elected from groups of people holding at least ten shares, thus again increasing the number, which originally was set at five. The Minister of Finance retained the right to supervise the commercial dealings of the bank.

At the same time, desiring to limit also the opportunity of credit unions to purchase shares freely, the government made another ruling which demanded formation of a special fund by each credit society. This fund was to be used for purchasing new shares. The interests of the co-operators were, however, guarded by those clauses which provided that they should have at least two-thirds of the total votes, and also that whatever money would be at the disposal of the bank should be used for co-operators only. The bank had the power of loaning money for a short term only. Also it had the right to issue time bonds and use them as the equivalent of money in business transactions.

Although the government set a time limit of six months to raise 500,000 rubles, the co-operatives decided not to sell the shares in the open market. Their hope was that the co-operators would respond and that the sale could be kept under control. Their hopes were not in vain, and within the stated limit, half of the total capital was entirely paid. Besides that, the entire number of shares was sold and the figures indicated that four-fifths of them were in the hands of the co-operative societies.

## DISTRIBUTION OF THE FIRST ISSUE OF SHARES.

Shareholders.	No. of Organizations.	Shares.	Per Cent.
Credit Societies.....	1,067	2,362	59 0
Consumers' Societies and their Unions...	230	763	19 0
Agricultural Societies and their Unions .	61	179	4 5
Other co-operative Societies .....	25	86	2 8
Private Individuals.....	165	610	15 0
Total.....		4,000	100.0

This table shows that the new bank was indeed in the hands of the co-operators, for only fifteen per cent of the shares were in the hands of private individuals. Four shares a person was the average. These men were mostly well-known leaders of the co-operative movement and their assistance was welcome to the new bank. The bank opened its business offices on May 9, 1912. The place rented was modest in appearance and was located in Miasnitzkaya Street, in Moscow.

Although numerous professors of economics and political science, as well as several prominent bank experts, had assisted in the drawing up of the articles of association, and although the entire stock of shares was sold, and the enthusiasm throughout was most inspiring, the new bank met with numerous difficulties during the first year of its existence. This was partly due to a most provoking attitude of the State Bank, which refused to recognize the new bank and give it credit even in a modest way. This attitude influenced the other private banks to act likewise, and the same held true even abroad. The new difficulties arose partly from the state of the money market. The rate of exchange was very high indeed, and the rate of discount was so high that, without the extra credit, the new bank found itself in a tight place.

<sup>11</sup> Prof. Antzifereff, "The Moscow Narodny Bank," p. 14.



At the same time, the first Russian co-operative bank, because of its lack of precedent and its very extreme youth, was lacking a very necessary thing: some sort of machinery which would act as the link between the bank and its clients, the co-operative societies. As arranged, the bank was to supply capital and materials wherever necessary, but each time that a client applied, in order to act with justice, the bank had to ascertain the client's financial standing, and so forth. Every bank has a very formal way of finding out these things, but the new Moscow bank could not set up a complex machinery of that kind all at once. During the first year, therefore, it was difficult to organize some system without incurring much expense. The bank, therefore, decided on the expedient of utilizing various unions of consumers, and credit and industrial societies, and also such centralized bodies as Zemstvos credit banks, in order to gather the necessary information. In places where there were no central organizations, the bank created a special agency to represent the Moscow bank. These agencies were of various natures, but their meaning was uniform: they were the link between the central bank and its co-operative clients. However, it is to be added here that, in so far as they were to serve as a control over the clients, this amounted to very little, and as the bank grew in power, it had eventually to develop a formal machinery. All agencies supplying information and acting as go-betweens were termed correspondents. Because of their central positions, these agencies were able to be on the watch to see that all available capital should be used for co-operative enterprises, and that whatever money was left should be sent to the Moscow bank, which, in its turn, would send this surplus for the use of more needy societies. As time went on, these agencies began handling the entire available money in each center, distributing it locally as there was need of it. Some of these agencies became regular branches of the bank.

Like any new undertaking, the bank had to profit by experience and learn from its mistakes. Even during the

first year several things helped the bank to adopt a very advantageous policy. This was the resolution of the directors to accept very small deposits, such as were not accepted in the other banks. The Moscow Narodny Bank accepted deposits of kopeks, which were equivalent to a halfpenny each. Also, every depositor who had five rubles on his account could secure a small savings box. All this helped to promote thrift and increased the popularity of the bank with the poorer classes. From the first, the efficiency of the bank was manifest because it showed that it was able to distribute capital systematically whenever and wherever it was necessary. The demand on capital differed with each locality. Among the peasants of Russia proper there was very little demand for currency during the autumn months. In fact, since this was the period when their produce was disposed of, there was a surplus of money in the rural centers. At the same time, autumn was the time when the Siberian creamery artels needed money the most. The bank was, therefore, able to at once display its capacity in such cases by regularizing the flow of capital in the proper directions.

During the very first year, the bank decided to enlarge its activity by organizing a special Goods Department. The bank, in the capacity of the only All-Russian centralized body, was buying necessary things on a large scale at home and abroad, and thus supplying the co-operatives at a lower price than other agencies which were buying on a smaller scale. At this time there were a few consumers' unions; the bank approached these and also their local branches. The co-operators appreciated the benefits of a united effort and the bank was given commissions to buy certain materials. The total turnover for the first year was a little more than 500,000 rubles, but as confidence grew the orders increased by leaps and bounds. The bank never bought on its own initiative. It only executed the orders and charged a very small commission for its work. The following is a record of the Goods Department for the first year, 1913:<sup>12</sup>

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<sup>12</sup>F. E. Lee, "The Russian Co-operative Movement," p. 53.

Articles.	Rubles.
Agricultural Machinery.....	306,200
Binder Twine . . . . .	4,500
Iron and Ironmongery . . . . .	110,700
Seeds... . . . .	32,100
Fertilizers... . . . .	3,600
Miscellaneous... . . . .	69,700
Total.....	526,800

These items indicate Russia's need of iron and ironmongery. A very important item was agricultural machinery. The commission charged was 1.3 per cent, which barely covered the expense of the department. A provision was made that, if due to the increase of turnover there should be large profits made after covering the expenses of this department, the balance was to be turned over to the general profits of the bank, which would eventually return to the shareholders.

Though the Goods Department was started very modestly, yet there was at once a need for experts who could advise the bank where it could buy the goods most advantageously. Two directors of the bank supervised the general activity of the Goods Department. They were assisted by the general council composed of representatives of the consumers' societies. This council met every two months in Moscow. It discussed purchases of the bank, payments, and so forth.

The actual method of conducting business presents numerous points of interest. First of all, there were cases where the co-operative organization applied for loans. Having certified the actual need of this through the correspondent, the bank gave money on a note which had to be signed by the executive committee of the co-operative client. This was a simple transaction of the bank. Next, came cases of special loans under the guarantee of notes or some standard bonds. In such cases only bonds which were "dividend bearing," or "per cent bearing," or, as we say in America, "giltedge," were accepted by the bank. All these provisions were necessary,

to secure the bank a safe guarantee on the one hand, and on the other to be within the law which prohibited the bank from speculation. These special loans were due on demand, whereas the others were time notes. At times a co-operative society applied for both kinds, and provided sufficient guarantee was given, the bank allowed the sums applied for. The special loans were not necessarily given out at once for the full amount. It oftentimes only meant that the co-operative societies having been given the special account, demanded loans from time to time within the set limits. They repaid these special loans as they found it convenient. The bank, however, reserved the right to call in at any time on demand the entire special account of any client. It was but seldom that the co-operative society was unable to meet the payment of its notes. The risk thus assumed in the case of the co-operative bank was infinitesimal in comparison with that of the ordinary bank.

The method of loans through the Goods Department was a little different. Here the bank showed great ingenuity in meeting one of the greatest problems of the co-operative movement. In numerous cases, when a co-operative society, or even a union of consumers' societies, purchased a certain amount of goods and paid for it, it took a certain length of time to sell these articles. It also took a certain length of time to ship these goods. In the meanwhile a consumers' society was greatly handicapped for lack of funds. To meet this problem, the Moscow Narodny Bank offered loans to the consumers' associations upon the security of the goods purchased. Instead of the actual goods, the co-operative societies could present such legal receipts as payment receipts, bills of lading, and so forth. They mortgaged these receipts for the full value, but the bank advanced money as a loan for only seventy to eighty per cent of the total sum, and as each society disposed of the goods it redeemed its mortgage receipts.

Though these details were not all worked out at once, still the general principles guiding the operations of the bank were adopted at once. At no time were loans given to private merchants, no matter what security was offered. Deposits,

however, were taken from individuals as well as from co-operative bodies. These private individuals were not entitled to any profits of the bank. Notwithstanding that the bank increased its operations by leaps and bounds, the profits for the first two years were only four per cent. This was due, first, to the rather high rate of exchange. Discounts in Western Europe were four and six per cent, while in Russia they amounted to 7.5 per cent; and, secondly, the profits were small because there was need to create an emergency and also a reserve capital.

The following table shows some of the operations of the bank during the first two years:<sup>13</sup>

Money in Rubles.	1912.	1913.
Money Loaned.....	2,815,500	7,366,300
Money Returned. ....	901,400	5,949,200
Per Cent Returned.....	32	80

Ratio of expenses to total profit in 1912 came up to 71 per cent, but in the following year it decreased to 39.3 per cent. At the same time the bank decided to float the second issue of shares, and this was done on July 4, 1913. It amounted to 1,000,000 rubles, and by March, 1914, this issue was entirely paid up. By the end of 1913, the holdings of the shares were distributed as follows:<sup>14</sup>

Parts of Russia.	Per Cent.
Southern Russia.....	40 2
Central.....	25 1
Siberia.....	9 0
Caucasus.....	8 2
Volga Region.....	6.4
North and Ural.....	9.1

<sup>13</sup> Prof. Antsifereff, "The Moscow Narodny Bank," p. 23.

<sup>14</sup> J. V. Bubnoff, "The Co-operative Movement in Russia," p. 97.

The distribution of credit operations among various co-operatives was made in proportion to their holdings in the bank. Thus, almost half of the credit advanced by the bank went to the south. By the end of 1913 the Moscow Narodny Bank was firmly established and was ready to meet the needs of the co-operative movement. Its policy was established on a true co-operative basis. Its popularity was assured, and the following year it even undertook to export some of the produce, but this venture was interrupted by the World War.

## CHAPTER IV

### THE WORLD WAR AND THE CO-OPERATIVE MOVEMENT

Amid the general disorganization of the country caused by the World War, the co-operatives succeeded in gaining the confidence of the people by their efficiency. Pressed by the exigencies of the times, the Russian Government gave numerous concessions to the co-operatives not only through direct legislation favoring co-operators, but also through direct financial loans. The Russian co-operators were quick to grasp these advantages. Having utilized commercial opportunities created by the war, and having secured the good will of the public and the press, the co-operators proceeded to undertake new ventures on a totally unprecedented scale. There arose an immense co-operative movement involving consumers' societies, producers' associations, and credit organizations.

#### CONSUMERS' SOCIETIES AND THE WORLD WAR

From the beginning of the twentieth century, the Russian consumers' societies showed a decided inclination to unite into larger associations. This tendency was magnified throughout the war period. Numerous large unions came into existence, but the leadership was still centered in the Moscow Union of Consumers' Societies. While its membership was considerable even in the pre-war period, it now grew into immense proportions. The number of affiliated societies at the close of 1916 was estimated to be as follows:<sup>1</sup>

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<sup>1</sup>J. V. Bubnoff, "The Co-operative Movement in Russia," p. 89.

Urban Societies.....	336
Rural Societies (64%)..	1,019
Factory Societies.....	174
Zemstvos Societies.....	20
Workers' Independent Societies.....	47
Railwaymen's Societies .....	26
Other Societies .....	74
Union of Societies.....	41
Total.....	1,737

During the World War the consumers' unions, led by the example set by the Moscow Union, began manufacturing various articles of consumption. Goods bearing the trade-mark of the unions appeared on the market. Among these were coffee, tea, olive oil, and soap. In order to place such necessary articles of consumption on the market, the unions became owners of various factories and works of all kinds. The Moscow Union was the largest owner of such factories. In 1916 these included two confectionaries, a tobacco and a match factory, soap works, vegetable and fruit drying plants, several large flour mills, herring salting plants, and so forth. These factories were scattered all over the country, from the cold regions of Archangel to the sunny climes of Bessarabia. In order to successfully operate such a variety of enterprises, the Moscow Union established numerous agencies and branches throughout Russia. At the end of the first three years of war, these agencies were found in the following cities: Moscow, Rostov-on-Don, Kiev, Bielaya Tzerkov, Odessa, Nijni-Novgorod, Ryabinsk, Petrograd, and Archangel. The success of the union at this period was due to the support received from its affiliated societies, and also to the generous financial loans given by the credit co-operatives and by the Moscow Narodny Bank.

Statistical data indicating the growth of the Moscow Union of Consumers' Societies during the period of 1914-1917 are indicated as follows:<sup>2</sup>

<sup>2</sup> F. E. Lee, "The Russian Co-operative Movement," p. 39.



Year.	Capital in Rubles.	Turnover in Rubles.	No. of Affiliated Locals.	No. of Affiliated Unions.
1914.....	319,479	10,343,549	1,260	19
1915.....	663,168	22,855,407	1,787	43
1916.....	11,202,183	86,631,616	31,670	155

Several of the unions affiliated with the Moscow Union of Consumers' Societies had a powerful membership of their own. Some of these covered very large territories, and conducted numerous enterprises independently of the Moscow Union. One such was the Archangel Union of Consumers. It included the entire northern part of Russia which was rich in natural resources. There were large opportunities for timber trade and its allied branches—the dry distillation of wood and tar manufacturing. Due to the general disorganization of the country, however, there could be no close association between this union and that of Moscow. The Archangel Union of Consumers, working among the timber and the tar artels, was obliged to conduct much of its trade independently of the Moscow Union. As a consequence of this situation, it established numerous agencies in foreign countries, the largest among these being the one in New York and the one in Stockholm.

#### PRODUCERS' CO-OPERATION AND THE WORLD WAR

The consumers' societies were not the only ones which formed units of association. The World War had precisely the same effect upon the producers' co-operatives. Backed by the Moscow Narodny Bank, several large unions of producers were formed. Among these a prominent part was held by the Union of Siberian Creameries. This union established a large chain of consumers' distributive shops among the butter-making artels affiliated with it. In order to provide at the lowest rates possible all the articles of consumption, the Siberian Union made trade agreements with the Moscow Consumers' Union. This agency purchased di-

rectly all necessary materials for the Siberian Union until, almost at the close of the war, a special union of all Siberian co-operatives was created.

The Union of Siberian Creameries grew steadily throughout the war period. This is indicated by the following figures:<sup>3</sup>

The Union of Siberian Creameries.			
Year.	Turnover in Rubles.	No. of Creameries.	No. of Stores.
1914.....	20,208,000	804	600
1915.....	34,854,000	902	681
1916....	73,498,000	922	694

Besides the Union of Siberian Creameries, there was another large union which was only indirectly connected with the Moscow Consumers' Union. When the political events resulted in the separation of Archangel province from the rest of Russia, the consumers as well as the producers of that section found themselves entirely isolated from their countrymen. At this critical moment, there arose the Archangel Consumers' Union, taking care of the provisioning of the consumers' societies of that region. At the same time the Union of Tar Artels, then recently formed, became the center of co-operative activity of the north. The union began operating early in the war period, and united tar artels under its title of "Union of Tar Artels of the Vaga Territory." This union took charge of collecting timber and tar, of forming new artels for their production, and of selling the product without the intervention of the middleman.

This union was a product of many years' strenuous propaganda on the part of co-operators. Numerous difficulties prevented the formation of this union, and success followed

<sup>3</sup> Prof. Shvittau, "Russian Co-operation on the International Markets," p. 63.

only after numerous trials and failures. In no part of Russia were the monopolies in such exclusive control of any industry as they were in the north. Peasants of this region were very backward; illiteracy predominated, and territorial isolation was accentuated by the lack of a good railway system, and, therefore, it was easy for capitalists to control the kustars and their output. The kustars were in the habit of disposing of their product to speculators who came yearly. Competition between independent kustars was very great and in the end they were the losers.

Mr. Bubnoff, in speaking of the difficulties which beset formation of the tar union, thus describes the situation:<sup>4</sup>

"In a good many instances the agent, in order to keep the men out of the artel (and the union), paid them prices which meant a great loss to him, but which he knew he would ultimately recover with profit, if only he succeeded in breaking the artel."

This struggle went on for several years. At last, during the early part of the war, the Union of Tar Artels of the Vaga Territory was placed on a firm basis. The Moscow Narodny Bank generously gave it a large credit. Besides, through its Goods Department, the bank assisted in various purchases of machinery and the like. During the period of isolation, which was entirely due to political events and foreign intervention, the work of this union still went on, but a close affiliation between it and Moscow as the center of co-operative activity was impossible. At first this union was centered only in the Vaga region, which took its name from the river Vaga, a tributary of the Northern Dvina, having its source in the province of Vologda and flowing into Dvina in the province of Archangel. In this region, formed by the basin of this river, the tar union was founded as a combination of twenty-three local tar distillers, with a total membership of 1,620 persons. Within the first year, however, the operations of the union spread to other districts of the Archangel province, and also to the northern districts of Viatka.

The co-operative movement of this period was also very active along the coast of the Caspian Sea. This part of the

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<sup>4</sup>J. V. Bubnoff, "The Co-operative Movement in Russia," p. 74.

country was well known for its fisheries, which yielded about 36,000,000 poods of fish yearly; that is, about 100,000 tons. A large part of the population of this region was directly connected with the fisheries. Attempts were made early in the century to organize these on a co-operative basis. The type of co-operation introduced was that of credit associations which advanced loans for purchasing fishing tackle. During the war period the number of these organizations increased somewhat, but their ratio to the rest of the fisheries was small. Thus, at the beginning of 1915, in the province of Astrachan there were forty-seven credit societies of fishermen and seventeen societies of a mixed type; that is, embracing fishermen as well as farmers and cattle breeders. The total membership was 20,000. But in the province of Baku there were only 500 fishermen organized altogether. In the province of the Ural there were only ten to fifteen similar organizations.

These figures indicate that co-operation among the fishermen was still in its infancy. This was due mostly to the smallness of loans advanced to the members of co-operative societies. The average loan during 1915 amounted to 71 rubles (about \$35). These loans were advanced for a short term, and, at best, could only keep the trade on its former level, not allowing for the introduction of improvements. Another thing that explains lack of progress was the fact that these societies did not originally practice the sale of fish, so that the middleman, after all, reaped the reward of the fisherman's labor. The province of Baku, though reporting only five hundred co-operators engaged in fishing, was the first one to introduce the co-operative method of the sale of fish. The difficulty of making this a universal practice lay in the fact that large expenditures were needed in order to erect cold storage plants, etc. However, during the third year of war, these things underwent a radical change. The co-operators began supplying the army with large amounts of fish. Co-operative trade in fish began to develop, and numerous societies mapped out plans for improving storage and shipment of fish. Credit societies were still un-

able to meet fully the requirements of the fishermen, but their work was of a definite educational value.

Besides the fisheries on the Caspian border, the co-operative movement among the fishermen was also found in the Petchora district. This district occupies the eastern half of the province of Archangel, and stretches for many hundreds of miles from the northern part of the Ural Mountains up to the Arctic Ocean, along the basin of the river Petchora and its tributaries. The fish found there is mostly salmon, cod, and herring. The season lasts all year round for certain kinds of fish living in fresh waters, while other kinds abound only in the spring and in the fall, when the fish come in from the sea into the rivers. In spite of very primitive methods of fishing, the quantity of produce a year averaged 1,000 tons.

The co-operative movement in this part of the country, as represented by the fishermen's artels, has been known since the Middle Ages. Due to the sparsity of population and remoteness from civilization, the older forms were preserved, and the artels continued to work along practically the same lines as centuries before. The members of a fishermen's artel usually made a verbal agreement before the season began and decided on the quantity of nets, cord, and food to be supplied by every member of the party to the common fund. Each member had the right to engage a few helpers to work on his behalf, the contract made between them not being subject to any interference on the part of the artel. The membership varied from five to fifteen fishermen. Each artel placed its nets in turn, the order of turns also being agreed upon previously. A part of the yield was sold at once; the rest, as well as the money gained by this barter, was divided equally by members.

The weakness of this type of co-operation lay in the fact that it was but a temporary arrangement and that the artels were at the mercy of private traders who periodically came to buy their produce. "The enterprising middlemen traveled throughout the country carrying with them a large amount of goods to be used in exchange for salted fish. Money was but rarely used in the transactions. As the sequestered

nature of the country did not attract many trading people, there was little competition, if any, and the prices at which articles were sold stood out of all proportion to their actual value; so that, while merchants pocketed profits big enough to excite the envy even of the present-day profiteers, the fishermen invariably were up to their necks in debt, without any earthly chance of ever paying it off. Bartering usually went hand in hand with money-lending, the loans being guaranteed by the next season's yield. This practice, hallowed by centuries-long tradition, made the entire population, including small shopkeepers who got their supplies from the same source, practically bondmen to a few traveling merchants." <sup>5</sup>

Co-operation in its modern form made its first appearance in the Petchora district in 1909, when the first co-operative credit society was established in one of the big villages. In 1911 other similar societies were introduced. These societies, however, were not due to the initiative of the masses, and represented the efforts of local authorities. In 1912 the first consumers' society made its appearance. Practically no progress was made along that line until the beginning of the World War. The illiteracy and ignorance of the peasants were stumbling-blocks in the way of co-operative progress. Due, however, to the disorganization of private trade and the great demand for a supply of fish for the army, it was possible for co-operators to arouse the masses to the adoption of modern forms of artel co-operation. Marketing of the produce, distributive stores, shareholding—all the apparatus of the Russian co-operative movement was introduced into the Petchora district. By the end of the World War, these locals were successfully united into the Petchora Union of Co-operative Societies. Unfortunately, the obstacles that for a long time hampered the co-operative movement were not removed by the conversion of the masses. Ignorance and illiteracy remained to be combated. In order to overcome these drawbacks, co-operators introduced an extensive educational campaign.

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<sup>5</sup>"Co-operation in the Petchora District," *The Russian Co-operator*, Feb., 1920, pp. 22-3.

The Petchora Union at the outbreak of the Revolution served 35,000 people, and was composed of some fifty-odd locals. One of the things the union advocated was the introduction of modern methods of preserving fish, since up to the advent of modern co-operation, ice refrigerators were practically unknown. The main benefit derived from conversion to co-operative marketing was evident in the fact that the district was more or less liberated from bondage to the middlemen. The work of the union, thus started, kept on throughout the later period. Later this organization became affiliated with the Archangel co-operative societies, and went practically through the same experiences as the other co-operative societies of that district, of which we shall speak later.

In the meanwhile, in other parts of the country, co-operatives connected with agricultural production also succeeded in forming alliances. Most of them, however, covered only a province or two at the best. These agricultural unions, besides willingness to centralize, also showed a decided tendency to specialize in one certain product. In contrast to the artels involved in the actual tillage of the soil, these unions were only indirectly connected with agriculture as such. These were the intermediary agents standing between the peasant and the city. To the peasants they offered financial help, seed, grain, and machinery, and in exchange took raw products. Most of these co-operatives were credit associations; others were backed by such. Through the Goods Department of the Moscow Narodny Bank, all of these unions were united for their purchases and sales.

The only union which rose during this period to the dignity of an independent national union was the union of flax growers. This "Central Union of Flax Growers" was founded in 1915. It was a co-operative union, the shareholders being local or provincial unions and individual societies. Liability of each local, affiliated with this central organization, was twice the value of each share. Liability of individual members equaled twice and five times the amount of credit given them. In some cases, this liability was unlimited. The purpose of this central organization was: (1) to organize

the sale of flax fiber without the intervention of the middleman; and, (2) to improve the quality of the product.

The whole scheme was rather simple. The peasants delivered their flax to the local co-operatives of which they were members. There the flax was sorted and appraised. Each peasant then received a part payment on his flax, the rest being payable later, after the actual sale to the manufacturers. Twenty to forty such societies comprised one union. These unions had large warehouses in which the flax was now re-sorted and packed for shipment. All these unions shipped their flax to the central association which conducted the sale, and which exported flax to foreign countries.

As will be seen from the following table, the activities of the Central Association of Flax Growers were developing rapidly and successfully. The membership of the association consisted of the following number and classification:<sup>6</sup>

Year.	Unions of Societies.	Individual Societies.	Total Organizations.
May, 1915 .....	.....	5	5
July, 1916.....	18	82	100
July, 1917.....	87	135	172

Numerous circumstances involved in the flax production fostered this growth. Beginning with the second half of the nineteenth century, flax growing in practically all of the countries of the world underwent a setback, and began to decline. In Russia, however, it continued to grow and develop. Its inner structure underwent radical changes. The big estates which in former years utilized serfs as laborers were now obliged to hire workers. The production of flax therefore involved larger expenditures, which minimized the profits. At the same time the price of flax was greatly reduced, due to the appearance on the world markets of a new competitor in the form of cotton fiber. Therefore, owing to these circumstances, there was a steady decrease of large

<sup>6</sup> *The Russian Co-operator*, Nov., 1919, p. 166.



flax-growing enterprises. The peasants were left practically alone in this field of activity. They dispensed with hired labor, utilizing members of their own families for the field work. Flax raising appealed to them the more, since the treatment of flax fiber could be completed in the long winter months and did not require any complex machinery. The hand treatment, however, was detrimental to the peasants, since it produced fiber of a very poor quality, and, hence, brought but little material gain for the producers. Besides, since flax was an article which was to be exported, the peasants were in no position to appear on the market. Flax went through various dealers who forced the peasants to accept whatever prices they were willing to offer.

In view of all these difficulties which faced the peasants, co-operators were able to secure a firm foothold from the very beginning. On the one hand, they offered seeds and improved machinery; on the other hand, they indicated, through co-operation and centralization, a way toward the control of distant markets. Nor were the peasants slow in realizing a method of doing away with the entire string of middlemen who until then had enjoyed a monopoly of the flax trade. Within a short space of time, credit societies which fostered the organization of flax co-operative locals were firmly entrenched in the flax-growing area. In this way the Central All-Russian Union of Flax Growers came into being and appeared on the international markets.

The part played by this union as well as by Russia itself in the world's supply of flax fiber can best be understood when compared with data referring to some of the principal flax-growing countries of Europe. The average figures for the years 1903 to 1914 are given on the following page.<sup>7</sup>

The importance of Russia loomed big in the world's flax trade. She produced three times as much flax as all other countries put together. By taking a part of this trade away from the capitalistic middleman, co-operation benefited the peasants and secured for itself a recognition abroad. During the World War, in spite of the difficulties under which the

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<sup>7</sup> "The Central Association of Flax Growers," *The Russian Co-operator*, Nov., 1919, p. 165.

Countries.	Area under Flax Cultivation.		Total Yield of Flax.		Average Yield per Acre in Pounds.
	Acres.	Per Cent.	Tons.	Per Cent.	
Holland....	34,560	1.1	8,361 4	1 7	543
Hungary...	46,440	1 5	12,704 8	2 6	613
Ireland....	48,600	1 5	9,667 8	2 0	445
Belgium ..	49,140	1 6	9,833 9	2.1	448
Germany..	57,570	1 9	10,477 4	2 2	408
France ..	61,290	2 0	20,869 3	4.3	761
Austria....	149,850	4 8	44,325 8	9 2	661
Total for all countries except Russia..	447,450	14 4	116,250 4	24 1	554
Russia . .	2,676,810	85 6	363,659.7	75 9	308

peasants labored, the following data indicate the activity of this union for the first two years of its existence:

Flax (in tons).	1915.	1916.
Amount Collected .....	1,713	15,675
Amount Exported .....	1,022	15,559

The turnover of the Central Union of Flax Growers in 1915 amounted to 5,192,351 rubles. The following year, however, this sum increased to 101,013,492 rubles. The capital owned by the Central Association was only 10,430, but a year later it increased to 186,353 rubles. In order to make purchases abroad, the organization was obliged to seek large credit, and the Moscow Narodny Bank was able to render a large assistance in this respect.

The government also realized the value of this organization. It so happened that in the latter part of 1916, the English

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Government declared a monopoly on flax imports into Great Britain. A private company under the government's control was formed. This, of course, produced similar measures on the part of the Russian Government. It also organized a special committee to take charge of the flax export. This committee, however, very wisely turned over the rights of monopoly to the Central Association of Flax Growers, retaining for itself only the nominal right of supervision. In this way, by the end of 1916 the Central Association of Flax Growers became the only exporter of flax from Russia.

During this period the credit co-operation which backed all of these numerous enterprises also showed a remarkable growth. The following data indicate the respective membership of the two types of credit co-operation:<sup>8</sup>

	Jan. 1, 1913.	Jan. 1, 1914.	Jan. 1, 1915.	Jan. 1, 1916.	Jan. 1, 1917.
Credit Associations....	7,700	9,321	10,563	11,372	11,810
Loan and Savings Societies.....	2,976	3,430	3,572	4,078	4,245
Total.....	10,676	12,751	14,135	15,446	16,055

Toward the end of 1916 there was a total of 16,007 societies, out of which 4,239 belonged to the savings and loan type, and 11,768 to the purely credit associations. Ten million householders were involved in the entire credit movement of the country.

### MOSCOW NARODNY BANK AND THE WAR—1914—1917

As we saw, the World War had a tremendous influence upon the entire co-operative movement of Russia. Inasmuch as various co-operative societies enlarged their turnover, they had a direct influence upon the growth of the central bank at Moscow. The Russian Government, at the same time, was

<sup>8</sup>J. V. Bubnoff, "The Co-operative Movement in Russia," p. 51.

forced to acknowledge the efficiency of the new institution and give it a credit in the State Bank. True, the sum thus offered was very small (200,000 rubles), but the bank at once applied for more, and was eventually granted 800,000 rubles. Credit was also obtained in private banks, and thus the financial standing of the bank was assured. This period, however, was not void of numerous unexpected trials.

When the World War was declared and the soldiers were being mobilized, a sudden and unprecedented rush started on the bank. The withdrawals began the seventeenth day of July and lasted until the second of August. During these sixteen days, the sum of 520,000 rubles was withdrawn. This was true of other state banks as well, and it was indeed a tragic moment for them. For once, however, the State Bank saved the situation by coming to their rescue. It offered credit to private banks on a larger scale than hitherto. It was then that the co-operative bank succeeded in obtaining credit up to the sum of 200,000 rubles. As for the rush on the bank, it stopped after sixteen days, and the deposits were once again coming in, so that on October 1st of that same year, the total sum of deposits surpassed the sum of deposits of the first of July. The confidence in the bank was once again secured and the directors heaved a sigh of relief. The government was in need of a more or less stable money market, and bankruptcy of any bank just then was dangerous. This is the true explanation of such generosity on the part of the crown. The leaders of the co-operatives applied at once for further credit and this was granted to them. In 1915 their credit in the State Bank was 800,000 rubles. A year later it reached the sum of 6,000,000 rubles.

The most surprising thing about the bank was its vitality. During the first few months the bank enlarged its activity in several ways. In the first place, its actual turnover was increased; secondly, it began to acquire real estate; and, thirdly, it reduced its actual expenditures for maintaining its machinery. The following data illustrate these tendencies.

Comparing the turnover of 1913 and 1914, we have:<sup>9</sup>

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<sup>9</sup> Prof. A. Antzifereff, "The Moscow Narodny Bank," p. 24.

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Turnover, 1913..... 536,000 rubles

Turnover, 1914.....1,160,000 rubles

Comparing the total sum of profits of 1913 and 1914, we have:

Profits, 1913.....256,000 rubles

Profits, 1914.....521,000 rubles

Comparing the total expenses:

Expenses, 1913.....100,660 rubles

Expenses, 1914.....156,500 rubles

Comparing ratio of expense and sum total of profits:

1913 .....39.3 per cent

1914 .....30 per cent

Consequently, following the regulations of the articles of association, having set aside a part of its profits for the reserve and emergency funds, the bank was able to declare a dividend of four per cent.

The turnover of the Goods Department was as follows:<sup>10</sup>

### ARTICLES BOUGHT IN 1914.

Agricultural Machinery .. . . .	354,900
Binder Twine .. . . .	31,700
Iron and Ironmongery . . . . .	249,800
Foodstuffs. . . . .	14,500
Fertilizers . . . . .	9,400
Miscellaneous.. . . .	237,100
<b>Total .. . . .</b>	<b>897,400</b>

Comparing this table with a similar one given previously for 1913, we see that the sum total of the Goods Department has increased in spite of the war. Thus in 1913, turnover of this department was 526,800, and in 1914 it reached 897,400. That is, there was an increase of 371,400 rubles.

While co-operative societies were reorganizing some of their activities to meet the new demands of the war, the bank was called to extend credit for new industrial enterprises. Just as in the United States the banks were called to assist in the

<sup>10</sup> F. E. Lee, "The Russian Co-operative Movement," p. 53.

sale of Liberty Bonds, so were the Russian institutions called to help their country. During the first year of the war, the Moscow Narodny Bank undertook to realize five per cent of the government loan. And also during the following year it undertook to realize five and one-half per cent of the second loan and also five and one-half per cent of the short term war loan.<sup>11</sup> So, all in all, the bank was very active in the general life of Russia, showing its vitality not only in the growth of co-operation, but also in the financial welfare of the country itself.

During the two following years, 1915 and 1916, the bank enlarged its scope of work in two new ways. First, it established numerous branches and agencies at home and abroad. These were to be found in the following cities: Petrograd, Rostov-on-Don, Novonikolaevsk, Vladivostok, Kharkoff, Tiflis, Saratov, and Omsk. Also agencies were maintained in Perma, Chita, Vologoda, Riabinsk, and Nijni-Novgorod. Needless to say, these branches and agencies helped to maintain a closer contact with the scattered co-operatives. Also, in 1915, the bank began purchasing real estate, which, at the end of the year, amounted to 1,130,000 rubles. A purchasing agency in London was established in 1916, and the following year a similar agency was established in New York.

The deposits of the bank grew with unbelievable rapidity. "If we should accept," says Professor Antzifereff, "the sum total of deposits on January 1, 1914, as 100, then this item, on the same date of 1916, is to be expressed by 540, and on the same date of 1917, it is to be signified by 1,600. That is, deposits increased in two years sixteen times." This interesting statement must be modified in the light of the war time and uncertainty of the market, factors making the people more apt to deposit money and not use it for business enterprises. Also, with the increase in prices, the actual sums in each single circulation were higher than in previous years. We have had a similar situation in America. Then, again, the government war loans have to be considered. As it was stated, the Moscow Narodny Bank participated very actively

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<sup>11</sup> Prof. A. Antzifereff, "Moscow Narodny Bank," p. 18.

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in the realization of these loans, and at the same time its credit in other banks was also increasing, so that in the middle of July, 1916, the general indebtedness of the bank reached three-quarters of its total deposits. By January, 1916, the bank succeeded in distributing for the first war loan over 10,000,000 rubles. The bank enlarged this activity and, during the following year, it succeeded in distributing over 20,000,000 rubles.

There was a direct relation between the amount of war bonds taken up by the bank and the credit given to it by other banking institutions, as seen in the following table:<sup>12</sup>

Year.	Bonds and Securities (in Rubles).	Credits and Special Accounts in Various Banks (in Rubles).
Jan. 1, 1915.....	1,447,200	1,119,100
April 1, 1915.....	2,998,000	1,351,500
July 1, 1915. ....	6,344,700	4,725,000
Oct. 1, 1915.....	7,887,400	7,015,000
Jan. 1, 1916 .....	10,674,000	11,037,000
July 1, 1916 .....	11,966,400	10,454,300
Jan. 1, 1917 .....	16,844,000	19,875,000

It is interesting to notice that the deposits were made by the co-operatives as well as by private firms and individuals. The actual deposits for 1916 show that one third was placed by co-operative societies. This really was a help to the bank, as the deposits of private firms and individuals were of a more stable character. Following are the data for 1916:<sup>13</sup>

	Co-operatives.	Private.
Simple Current Accounts .....	7,532,000	16,788,500
Savings Accounts .....	10,000	74,700
Conditional Current Accounts.....	1,242,400	2,103,500
Small Savings .....	.....	2,362,900
Temporary Deposits .....	926,700	1,467,000
Total. ....	9,711,100	22,796,600

<sup>12</sup> Prof. A. Antzifereff, "The Moscow Narodny Bank," p. 18.

<sup>13</sup> *Ibid.*, p. 19.

In connection with the deposits, it is also important to notice the vital difference between those in the Moscow Narodny Bank and others. In ordinary banks the general tendency is to handle large deposits. In fact, numerous banks in the United States specify one hundred dollars as the minimum balance on any account. This simplifies, of course, the routine work of a bank, but prevents small merchants and members of the working class from having a checking account. From the very first, the Russian co-operative bank fostered thrift and accepted very small deposits. The following table will illustrate the actual numbers of deposits and sums deposited during the year 1915:<sup>14</sup>

	Not over 500 Rubles.		From 500 not over 5,000.		Over 5000.	
	No of Depos	Amount.	No of Depos	Amount.	No. of Depos	Amount.
Simple Savings Account	727	127,600	885	1,455,000	197	4,082,000
Savings . . . . .	11	2,800	6	18,000		
Conditional Current Account . . . . .			147	293,800	90	3,082,000
Small Savings . . .	4,110	317,200	543	651,000		
Temporary Deposits .	179	52,200	241	424,900	41	486,500
Totals . . . . .	5,027	499,800	1,920	2,843,600	382	7,650,500

The third issue of shares was floated in 1916, raising the total capital to 4,000,000 rubles. Long before it was time to close the subscription lists, these shares were taken over. This issue was largely oversubscribed and numerous requests and inquiries as to further issues came to the central office. In view of such demand, the council of the bank did not sell any of the new shares to single persons. It was also decided not to sell any of the shares of the future issues to private individuals. At the same time, the main office sent out letters to those concerns which were left dissatisfied with the distribution of the third issue, and also to those who sent in

<sup>14</sup> Prof. A. Antzifereff, "The Moscow Narodny Bank," p. 19.



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inquiries for further issues, assuring them that, should there be any further issue of shares, they would be given priority. This issue was paid up in full by March, 1917.

Distribution of shares among co-operative societies present numerous points of interest. The number of shares held by the various credit societies increased with time, and by the beginning of 1917 it is estimated that over two thirds of the entire holdings were in the hands of credit societies. At the same time, the importance of the consumers' associations was lowered by one third. As for private holdings, their relation to the total shares diminished by half. Decrease of total number of shares a person was also manifest, and if we take into consideration that private parties holding but one share had no voice in the bank's administration, the general importance of these private holdings was nil. This is illustrated by the following data of actual distribution on January 1, 1916, and 1917, respectively:<sup>15</sup>

Groups of Shareholders.	No. of Shareholders.		No. of Shares.	
	Jan. 1, 1916.	Jan. 1, 1917.	Jan. 1, 1916.	Jan. 1, 1917.
Credit Societies and Unions	2,058	2,071	5,484	5,568
Consumers' Associations	449	448	1,026	963
Agriculture Societies	131	146	430	460
Other Co-operative Societies	78	87	387	362
Private People . . . .	171	170	637	647

During the period of the war the co-operative movement gained more and more ground. This was the period of the rapid growth of co-operative unions, and the Moscow Narodny Bank was quick to realize the importance of their further work. The bank, therefore, hastened to conclude numerous private agreements with these unions. It invited these unions to participate directly in the management of the bank, or

<sup>15</sup> Prof. A. Antzifereff, "The Moscow Narodny Bank," p. 15.

rather in that department which stood nearer to their mutual interests: namely, the Goods Department. Up to this time, the bank had a fairly strong agricultural department, but now, having invited the agricultural unions to send in their representatives, this department became very active. Two years later it became a separate body under the name of Selsko-Soyuz, meaning the Agricultural Union. It was still associated with the bank, but in its administration was an independent body. Thus the policy of the bank during 1915 and 1916 led to the creation of a strong agricultural union. The list of the principal agreements between the Moscow Narodny Bank and various unions ran as follows: ten credit unions, two agricultural unions, Orlov Society of Zemstvos, Kiev Society of Southwestern Zemstvos, Siberian Union of Creameries, tar producing artels, and Central Union of Flax Growers.

As for the actual turnover of the bank, it showed a decided increase over preceding years. This increase was found not only in the Goods Department, but also in the Credit Department. The bank was able to advance larger sums, and this enabled the co-operative movement to meet the new demands made upon it by the war. The tabulated data, on

Co-operative Societies.	Current Accounts.		On Call Special Credit Accounts.	
	No. of Societies.	Sums in Rubles.	No. of Societies.	Sums in Rubles.
Credit Unions.....	11	862,600	3	914,100
Local Credit Societies .....	204	1,723,800	84	2,396,700
Consumers' Unions .....	4	408,900	3	2,425,700
Local Consumers .....	30	138,400	14	396,700
Agricultural and Producers Groups .....	22	341,300	15	745,900
Total .....	271	3,475,200	114	6,079,100

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the preceding page, give an insight into the actual loans by the bank on January 1, 1916.<sup>16</sup>

While the total sums advanced reached over nine million rubles, the increase of deposits and the credit in other banks enabled the bank to enlarge its other operations. The table below gives us data of the actual turnover of the Goods Department during 1915 and 1916. It should be noted that the increase of this department was due not only to consolidation of co-operative societies, but also to the general opinion that during the war it was safer to deal with a centralized society. This held true later on during the Revolution when, amidst general disorganization due to civil war, it was found that commercial relations were best maintained by the co-operative bank and its allied bodies. On behalf of these societies, the bank purchased goods as classified below:<sup>17</sup>

PRINCIPAL ARTICLES BOUGHT BY THE BANK FOR CO-OPERATIVES DURING 1915 AND 1916.		
Articles.	Money in Rubles.	
	1915.	1916.
Agricultural Machinery .....	252,100	2,522,000
Binder Twine. ....	271,800	6,921,000
Iron and Ironmongery .....	225,800	2,355,800
Seeds .....	615,300	738,000
Foodstuffs .....	980,600	165,700
Fertilizers .....	5,400	33,300
Insecticides and Fungicides .....	.....	1,669,000
Products of Dry Distillation of Wood .....	69,200	464,800
Miscellaneous Agricultural Products .....	1,038,500	507,100
<b>Total .....</b>	<b>3,458,700</b>	<b>15,076,700</b>

It has been said of the Russian co-operative bank that it had large profits because the bank speculated. This charge

<sup>16</sup> Prof. A. Antziferoff, "The Moscow Narodny Bank," p. 22.

<sup>17</sup> F. E. Lee, "The Co-operative Movement in Russia," p. 53.

is entirely groundless. When the bank was first organized and the government was very hostile, the right to speculate was not given to the Moscow Narodny Bank. There is no record of any kind as to speculation of any nature on the part of the bank. In fact, even such purchases as were made by it were effected only after a direct order was received through the Goods Department. In this respect the co-operative bank differed vastly from all other Russian banks, which did not adhere to a straight banking business. The co-operative Moscow bank could not speculate on the Bourse nor buy any industrial stock. Its large profits depended on the enormous amount of business done. Comparing the total profits and current expenses of maintaining the machinery of the bank during the first three years of the World War, we have the following:<sup>18</sup>

Year.	Turnover.	Profits in Rubles.	Expenses in Rubles.	Net Profits in Rubles.
1914 .	110,222,000	521,300	156,500	364,700
1915 .	253,235,000	1,191,900	248,500	943,900
1916	1,188,464,000	3,752,300	758,000	2,994,300

This table also shows that the ratio of expense to the total profits grew less. In 1914 it reached thirty per cent; the following year it diminished by ten per cent, and it remained the same for 1916.

#### SIBERIAN CO-OPERATIVES AND THE MOSCOW NARODNY BANK

In 1916 the Moscow Narodny Bank succeeded in spreading its activity in Siberia. In order to understand various difficulties connected with this undertaking, it is necessary to examine the details of the actual process which took place. These illustrate not only the relation of the co-operatives to the bank, but also typify the attitude of the government. According to a fundamental law governing the actions of the

<sup>18</sup> Prof. A. Antzifereff, "The Moscow Narodny Bank," p. 26.

bank, it could not establish a new branch without the consent of various co-operative credit unions. In the case of Siberia, these were not at all anxious to co-operate with the bank. In the meanwhile, the State Bank, though seemingly friendly, was also not at all anxious to have a branch of the Moscow Narodny Bank appear in Siberia, as this would have diminished the power of the State Bank there. Both of these objections had to be overcome before the Moscow Bank could start operating in Siberia. Though ever since 1912 this question had been brought up on various occasions at the different conventions, yet the subject for a period of four years did not receive any serious attention. This was partly due to the remoteness of Siberian co-operation and partly to the astounding fact that the chief conventions were organized and supervised by the State Bank. Thus, for instance, the second West Siberian Convention of Credit Associations, which met in Tomsk in 1913, was organized and supervised by thirty-two inspectors and three members of the Government Department of Supervision of Credit Institutions. Such protection in itself made the meeting very constructive and patriotic.

A serious discussion of the Moscow Narodny Bank arose for the first time at the general convention of the All-Siberian co-operatives in Novonikolaevsk, held in March, 1915. This convention met to discuss numerous problems of Siberian co-operation arising out of war conditions. The general spirit was of depression and deep discouragement. The credit societies had a surplus which they could not utilize and which had to be distributed in a different way than formerly. The war necessitated new enterprises and new risks for the credit unions. The consumers' associations came to the convention hoping to form a large union, with the help of which purchases could be made on a larger scale. They were seeking better co-operation from the credit societies. At the same time the butter-making artels were facing a general collapse of business due to the war. All the co-operators came with one purpose in view—to find some way to solve the general problem and possibly to adopt some newer tactics which would determine the future policy of the entire Siberian

co-operative movement. The composition of the convention was uneven. The representatives were entitled to one hundred and four voices, sixty-seven of which went to the credit associations. The majority of those present were of the peasant class.

The foremost question, therefore, before the convention was that of organizing a union which could take charge, as a central body, of uniting all kinds of co-operative organizations. Several men well known in the field of co-operation presented special reports on the subject. Among such were: N. Rubchevsky, P. N. Makarov, and V. V. Kulikov. The delegates decided to draw up articles of association for such a union. This resolution, first and foremost, was based upon practical considerations and seemed to meet the needs of the times. But, nevertheless, it was severely criticized in a most heated manner by the representatives of the government. The spokesman for the State Bank was one of the inspectors, V. C. Philatov. Although he and fourteen other inspectors were present as guests of the convention, he was given the privilege of expressing his opinion on the subject of the proposed union. Mr. Philatov objected unconditionally to the formation of a central union of co-operative organizations and claimed that such an agreement would be illegal in the eyes of the law, and hence it could not be supported by loans and credit advanced by the State Bank. In fact, he accused the convention of a deliberate attempt to ruin the credit unions. Such statements and especially the language used by the speaker produced a sensation, and the presiding officer insisted on Mr. Philatov's apology. Having apologized, Mr. Philatov and the other inspectors left the convention, and when they appeared again on the following day, they maintained their hostile attitude. The convention, none the less, did not withdraw its resolution. And from that moment the hostilities between the inspectors and the co-operators assumed definite shape.

Notwithstanding the resolution of the convention to unite, the hostile attitude of the inspectors had to be reckoned with. The delegates of the credit organizations felt that, if financial help was denied, they could not be of assistance to

such a union. At this moment, when doubt prevailed at the convention, the first ray of hope was given by Mr. Dmitri Illinsky, who, at the request of some of the delegates, took a leading part in opposing the inspectors. Mr. Illinsky suggested that instead of organizing a new body which might or might not be legal in the eyes of the law, it was best to use an institution authorized by the government: namely, the Moscow Narodny Bank. He then proceeded to give an outline of the scope of work and actual data of the bank. Several other co-operators supported his statements, the subject being received favorably by the delegates.

The government inspectors then asked the privilege to express their opinion on the subject of the Narodny Bank. Mr. Philatov was once more the speaker, but mindful of his experience of the day before, he assumed a new policy. Under the guise of sympathy with the Moscow Narodny Bank, seeming to encourage the convention to adopt this policy, he presented some of the facts in such a way as to bring despondency upon the delegates. Here is a part of his speech quoted from the minutes of the convention:<sup>19</sup>

"While in Moscow I spoke with the directors of the Moscow Narodny Bank concerning the inadvisability of collecting money in rural districts and not giving them much in return. I have before me a report of the bank for the first of January, 1915, which shows that its balance reaches 20,000,000 rubles. Most of this money is divided among branches of Southern Russia, and it is doubtful whether the bank has finances for opening a new branch in Siberia. But should a branch be opened, the State Bank would be willing to help it, provided, of course, it should be conducted properly."

In spite of this pharisaical speech, the convention voted to invite the Moscow Narodny Bank to open a branch in Novonikolaevsk. The actual correspondence and details connected with this venture were left entirely in the hands of the Western Siberian Agrarian Association. Though this resolution passed unanimously, yet there was a feeling on

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<sup>19</sup> Dmitri Illinsky, "Siberian Co-operative Credit Associations and the Moscow Narodny Bank," p. 6.

the part of the co-operators that the resolution was hasty and did not express the desire on the part of the entire Siberian co-operative movement. In the first place, due to the intolerant position of the inspectors, the independent union, for the formation of which the convention was primarily called, had to be given up. The question of the bank arose without much preparatory work. Though such a bank would be of a great benefit to Siberia, the delegates felt that, in spite of their resolution, they must still look into the subject a little further while sounding their constituents. Therefore, while in various parts of Siberia the question of the Moscow Bank was being discussed, the Agrarian Association, through its council, appointed Mr. Illinsky to make a thorough study of this question and submit a detailed report to the council. In April of the same year, this report was ready and duly accepted by the council. Considering the hostile attitude of the government manifested in direct annoyances of various nature, even the withdrawal of credit in some instances, the leaders decided to have another convention in Novonikolaevsk to discuss this question further and come to a final decision.

It was known that the State Bank looked with disfavor upon the immense growth of the Moscow Narodny Bank, and the opposition of its inspectors was by no means a temporary thing. Though defeated by the March convention, they immediately began to look for some weapon with which they could fight any further activity along that line. They felt confident that the co-operatives would not act at once and the delay could be utilized to good advantage. One weapon, and one only, they had at their disposal: the press and the government power of censorship. It so happened that the Siberian co-operatives had very little love for Moscow or for Petrograd. Unfortunately, the Russian central co-operative bank was named, Moscow Narodny Bank, and that hated word, Moscow, gave the inspectors their chance to use the press in their influence against the acceptance of the March resolution by the various co-operatives.

Now, the hatred of the Siberian people for Moscow was of an ancient origin and quite justifiable. First of all, numerous settlers of Siberia had migrated from Russia



proper. They left poverty and injustice behind them, and the little sentimental feeling connected with their former homes soon lessened as they settled and prospered in Siberia. The distance between Moscow and them was such that any close association was impossible. Secondly, their hatred was due to the robbery exercised by the Moscow merchants who represented capitalism in Siberia. Controlling the market and charging exorbitant prices, these merchants were heartily hated by the co-operators. It was to fight this situation that consumers' associations were organized. Then, again, the other center of Russia, Petrograd, was also unpopular. With that city there was a close official connection, and as Russia pursued a very narrow policy toward Siberia, even the reminder of it was undesirable. In other words, Siberian sentiment was such that any agency which suggested a newer and closer contact with Russia was bound to meet opposition from the co-operatives. That is why the leaders felt that, in view of the inspectors' utilization of this sentiment to fight the resolution of the March convention, it was best to work slowly and conduct a widespread propaganda at first. This propaganda consisted of a thorough explanation of the fact that the Moscow Narodny Bank was the center of the All-Russian co-operation, and would be a desirable factor in Siberia. They also called a convention of all co-operatives of Western Siberia in November.

In the meanwhile, the inspectors called their own convention and held it in Omsk. The Siberian inspectors of the credit associations, supervised by the State Bank and under direct management of Mr. Philatov, were present. The purpose of this convention was to find some means to prevent the opening of the branch of the Moscow Bank. This was found in the possibility of establishing a Siberian bank under the direct supervision of the State Bank, and financed partly by it and partly by the co-operative credit associations, for the special use of co-operators. The drawback to this project was this: it came not from the co-operators but from the very same inspectors who were a thorn in the side of Siberian co-operation. Another point against the popularity of this proposition was that, notwithstanding the fact that these same

inspectors were part and parcel of Siberian life, they were not known in a social way by any of the co-operators. Such an undertaking, therefore, only savored of a grand fiasco. This plan was to be submitted to the convention called for November by the co-operators. Needless to say, this proposition, as well as the proposition of a few co-operators to establish a separate bank of their own, met with little favor.

The new convention started in November, 1915, and represented all the largest co-operative societies of Western Siberia. There were represented 193 consumers' societies, with a membership of 22,000 people, and with yearly purchases amounting to 4,130,000 rubles.<sup>20</sup> Then there were representatives of the largest credit unions, and so on. Many of these delegates were instructed by their constituencies just how to vote. Most of the societies which sent their delegates had this question thoroughly threshed out at home, and the question of the Narodny Bank was not a chance question but one about which the delegates were well informed. "A resolution was passed saying that inasmuch as there was a great need to have some sort of central organization which could serve as a central purchasing station and unite all the credit forces of Siberia, and inasmuch as Siberian co-operators were not strong enough to open a separate bank of their own, the convention was united in its desire to have a branch of the Moscow Narodny Bank established at once. In order to facilitate matters and in order to speed up the Moscow bank, a special messenger was appointed to go to Moscow in person with an official letter of appeal to the bank. The composition of this letter was allotted to Dmitri Illinsky, who, from the very first, showed much enthusiasm concerning this subject. Eventually the letter was written, but the special messenger could not go to Moscow. The letter was sent to the bank and was published in the bank's special publication, *Izvestia* (No. 3, 1916)." <sup>21</sup>

The beginning of 1916, therefore, marked a new era in the

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<sup>20</sup> Dmitri Illinsky, "Siberian Co-operative Credit Associations and the Moscow Narodny Bank," p. 9.

<sup>21</sup> *Ibid.*, p. 9.

relations between the Moscow Narodny Bank and the Siberian co-operators. Up to that time the Moscow bank had but a few shareholders in Siberia. It had only three hundred and thirty-five shareholders, and only seventy-seven of these were using the services of the bank. The approximate loans were 625,000 rubles a year. But, though the opening of the bank was a desirable thing, it was found impossible to establish a regular branch there. This was due to certain provisions requiring a special vote of all the shareholders and special permission of the Minister of Finance. Therefore, in order not to delay matters any further, the bank decided to open an agency of the bank in Novonikolaevsk, and Mr. F. E. Butenko, one of the officials of the bank, was sent to Siberia. He arrived there February, 1916, and immediately called a meeting of various co-operative delegates. This was done in collaboration with the Siberian Agrarian Association which was formally instructed to take charge of the preliminary work. From the very first moment the meeting was opened it became apparent that the delegates knew very little of the technical side of the bank and much time was required in making various things clear. V. P. Kniazev presided, and there were only twenty delegates present. They represented the following co-operatives: Altaisky Union of Co-operatives, Altaisky Credit Union, Tomsk Consumers' Association ("Deyatel"), Marininsky Union of Co-operatives, Novonikolaevsk Consumers' Society ("Economy"), Novonikolaevsk Credit Society, Agrarian Society of Omsk, Novonikolaevsk Credit Union, and Marininsky Credit Association.

The following was agreed upon:

(1) To give inducement to the co-operatives to purchase shares in the bank.

(2) To give loans at once to the Consumers' Societies as the ones needing help the most.

(3) To work mainly through the channels of unions of co-operatives, as this would help the formation and growth of the unions.

(4) To help wholesale purchases and sales.

(5) The auditing committee was to meet twice a year to look over the books and decide important current questions.

This auditing committee was to work along the same lines agreed on in Rostov-on-Don some time before. It was to be composed of a director of the agency and its instructor, delegates of all the co-operators who were shareholders (one from each society), and a few others who were to be asked to serve on this committee. These extra people were to be asked by the co-operatives themselves.

It is important to notice that, at this meeting, no one thought it necessary to discuss the question of the financing of this agency. The general feeling was that there was plenty of money in Siberia, and if the agency were conducted properly there would be no difficulty in raising the money. Some time was given over to the discussion of just how these wholesale purchases were to be made, whether it would be necessary to appoint a special committee, and so forth. At last, amidst loud debates, the following plan was hastily sketched, and accepted:

(1) A special committee was to be appointed to take charge of all the buying and selling.

(2) This committee was to be composed of representatives of co-operative societies and their unions.

(3) This committee was to meet a few times a year to decide what purchases it was desirable to make or what sales they were ready to negotiate. The findings of this committee were to be communicated to the Moscow Narodny Bank, which would carry out these commissions through its Goods Department.

(4) The bank was to provide this committee with exact reports concerning the state of the market, but the committee was to pay the specialist in charge of purchasing, the expenses being divided according to the ratio of purchases on the part of each society.

A glance at this plan reveals the lack of details. The delegates realized this, but they felt that it was best to leave further work on this subject to the first general meeting of all the shareholders of the bank. Final decision was therefore postponed. Somehow, and this matter was never adequately explained, this resolution of appointing an advisory committee for buying and selling was taken by the Moscow Narodny

Bank as the final decision on the subject. Consequently, when this question came up at the general meeting of shareholders, a most unprecedented difficulty arose.

The first meeting of the Novonikolaevsk agency of the Moscow Narodny Bank took place on the thirtieth of April, 1916. This time 900 different societies were represented, and covered practically all of co-operative Siberia. Delegates from the consumers' associations were in the majority, twenty out of every thirty-two delegates having been sent by the consumers' societies. Considering the make-up of this meeting, it was but natural that the question of importance for discussion should be the purchasing committee and the financing of consumers' societies. The new director of the Moscow Narodny Bank agency in Novonikolaevsk objected to any discussion of the purchasing committee, claiming that the resolution of the preceding conference in February was a voluntary decision of the co-operatives, and as such was accepted by the bank and officially approved by it. This plan thus approved had to work at least during the fiscal year, and any change whatsoever involved a special meeting at Moscow of the shareholders. The necessary red tape required a few months. The officer advised the new shareholders to stick to their resolution and accept the resolution of the seventeenth of February as final.

While he was quite right in taking this stand, the co-operatives were unwilling to abide by it: first, because the resolution of the seventeenth of February was, from their point of view, not a final decision; secondly, because it seemed to them inadequate; and last, but not least, because always on the lookout to defend their interests against "Moscow," these objections of the director seemed to them high-handed. The leader of the co-operators was a delegate sent by the consumers' society connected with the Sujdensky mines. His name was V. V. Kulikov, and it was he who presented for discussion a new plan. This plan in several points differed from the one already approved by the bank. First, Mr. Kulikov suggested the establishment of a permanent purchasing and selling committee, whereas the former plan called only for a committee which would meet from time to time as the

needs arose. Considering the hard position in which the co-operatives found themselves, only a permanent committee could be of any real help. This committee was to be connected with the Novonikolaevsk agency of the bank, and deal directly with Moscow. Another important difference between the two plans was that while the former plan admitted participation in this committee of the separate consumers' societies and their unions, the second plan ruled that only the union of consumers could participate and be members. This was a wise suggestion, as this would have led to the growth of the unions and would have increased the power of co-operation.

There were practically no objections from the consumers' societies to this plan, but the credit unions objected most strenuously, claiming that such a scheme would involve finances on a large scale, and it seemed to them that the purchasing committee could entirely trust the agency of the bank, and whenever necessary send one of the co-operators to Moscow to conclude big deals. Their objections, however, had nothing substantial to offer, and after some discussions delegates were subdivided into groups to work out various details of the plan. Finally the following program was adopted:

(1) The purchasing committee was to be composed of representatives of various unions, the director of the Novonikolaevsk agency of the Moscow Narodny Bank and its "instructors," and such people as might be invited by this committee as being of special service to the co-operative movement.

(2) This committee was to remain of this composition until such time as these unions would form still larger forms of union associations which might, if advisable, then take over entirely this work.

(3) The purchasing committee was to have a permanent board as its executive body; this board to call the meetings of the committee and keep it informed of the financial operations and the world market. All the unions which entered into the composition of this committee were to provide a written guarantee that they would abide by its decisions. This committee was to have the right to acquire real estate, to

decide all ventures, such as buying and selling. It had the right of electing or dismissing the members of the committee and also those of the executive board.

(4) The executive board was to be composed of five people elected for two years. The director of the bank and various delegates from the unions had the right to be present at the meeting. The board was to deal directly as the purchasing agency, and also was to negotiate all loans for its clients. It also was to present its budget of expenses and business operations for the current year.

While it remained to be seen whether these provisions were sufficient, they certainly clarified one thing; namely, that, though an advisory committee, it was to be independent of the supervision of the bank. There was still a feeling of distrust as to the Moscow Bank, and that feeling remained until the operations of the bank in Siberia reached enormous proportions and the bank proved itself an indispensable friend to the Siberian co-operators. In the meanwhile, many an incident showed distrust on the part of the co-operators. At the same time the bank also was ignorant of Siberian difficulties, and in dealing with co-operators was bound to make mistakes. One such was the refusal of ratification of this purchasing committee. This was based on several reasons: first, because the bank did not deem it advisable to encourage such independent purchasing agencies, and preferred them to be amalgamated with the bank on a closer basis; and, secondly, because the bank was not sure just how much backing such a committee had from the co-operatives. In a way this feeling was not without grounds, as even the vote cast by the co-operatives was not unanimous. The consumers' associations cast ten votes for it. Also two agrarian societies were in favor of it, but leading credit unions and the Western Siberian Agrarian Society voted against it. The main objection on the part of the co-operatives was the expense which would be connected with the proposed committee.

The negotiations with the Moscow Narodny Bank to ratify this committee were carried on during the summer of 1916, and in view of the final refusal on the part of the bank to agree to the decision of the co-operatives, a general conven-

tion to decide this question and the future policy was called for August of the same year. In the meanwhile, the committee was functioning, handicapped though it was by the general unrest of the Siberian co-operators. It operated for a total duration of seventy days, and during that short period of time the executed orders amounted to the sum of 445,990 rubles. Two-thirds of all commissions were executed during the last ten days, which indicated the growing confidence of the public.

The committee gained a wonderful experience and was ready to submit a report indicating it. The following were the main complaints and findings of this committee:

(1) Unable to make any purchases on its own initiative, the committee was unable to take any real advantage of the market.

(a) The committee had to depend on direct orders of the unions.

(b) The delay of time and lack of responses on the part of the unions resulted in the loss of several advantageous deals.

(2) The committee was unable to sell very advantageously, as,

(a) Most of the unions gave "time orders."

(b) Instead of dealing directly through the committee, some of the unions sold and purchased independently.

(3) The committee found its legal rights insufficient to do big business. The unions were within their rights to send in whatever deposits they wanted, and the committee had no legal authority to force payments.

These findings were submitted to the general convention of co-operatives which assembled in August. Taking all these things into consideration and being quite put out by the attitude of the Moscow Narodny Bank, the co-operatives voted unanimously to separate their purchasing committee from the bank and establish an independent organization for the whole of Siberia, which should be the purchasing union of all consumers' unions. It received the title of "Zakupsbyt," signify-



ing "buying and selling," and was destined to become one of the strongest Siberian organizations. Thus, established in 1916, it launched on a brilliant career of service for all Siberia.

In order to avoid the difficulties such as the committee complained of, the Zakupsbyt was given new powers. While adopting previously arranged articles of association, the co-operators voted to enlarge these by giving the power to the Zakupsbyt to make purchases of its own. Each union willing to belong had to purchase one share of the initial stock of the Zakupsbyt, valued at five hundred rubles a share, and also to turn over to the new association five per cent of each union's shareholdings. Only unions of consumers' associations could be shareholders. Ordinary local organizations, no matter how large, could benefit by the Zakupsbyt only through their membership in some union affiliated with it. Considering, however, that other types of co-operation, such as credit and producers' associations, were engaged in buying and selling, these unions were allowed also to become shareholders of the Zakupsbyt. Thus the new organization from its very birth was destined to be a co-operative organization of a mixed kind. To strengthen its power, the co-operators voted that no union which was a member of the Zakupsbyt could buy or sell through any other channel. And this was legally enforced by a special agreement which all the shareholders had to sign. The very first day eleven unions signed contracts with the Zakupsbyt. The new committee began operating on August 17, 1916.

The most interesting item connected with the opening of these operations was the new attitude of the Moscow Narodny Bank. Very friendly relations were established now that the bank was convinced that the purchasing committee was the will of the Siberian people and that it stood on a firm legal basis. The Moscow Bank, through its Novonikolaevsk branch, was ready to open credit and assist it in every possible way. The credit thus opened was of a twofold nature. A credit of one hundred and fifty thousand rubles was advanced on note, and one of 500,000 rubles was to be advanced under a guarantee of goods purchased or sold, or of their equivalent bills of lading, etc. The following year these sums were increased to

500,000 rubles and 2,000,000 rubles each. Splendid co-operation was shown on the part of the bank in regard to all purchases made by the Zakupsbyt in Moscow. The bank paid in full all bills incurred in Moscow against the bills as presented. Then this was charged up to a current account in the Novonikolaevsk agency of the bank, and the Zakupsbyt could pay out the amount in part payments, according to the sales it made and its income. This was a real help to the Zakupsbyt and served it in good stead. This was indicated by the financial data which showed that, from August seventeenth until December thirty-first of the same year, two thirds of all purchases were financed by the bank. The total amount of purchases made amounted to 3,214,101 rubles, while the bank advanced 2,370,919 rubles. The same relation continued in the following year when purchases amounted to 15,000,000 rubles. Consequently, the relations between the bank and the co-operators in Siberia clarified with time and the bank obtained numerous enthusiastic friends. Among such, the Zakupsbyt was one of the staunchest adherers of the bank, and ready to fight for its success. And the time was not far off when this friendship was put to the test.

From the very beginning of the formation of plans for the extension of the Moscow Narodny Bank to Siberia, the consumers' associations were in favor of it. This was due to the shortage of credit in Siberia and the pressing need of the time to buy and sell on a large and totally new basis. After many misunderstandings on both sides, matters adjusted themselves and consumers began working hand in hand with the bank. In fact, scarcely a year had passed since the opening of the Novonikolaevsk agency when the consumers began a new agitation to have the agency changed into a regular branch, as this would lead to still quicker service. The credit unions, however, looked upon the coming of the Moscow Bank as upon a competitor in their field of work. Also this foreshadowed the collapse of their pet desire to have their own independent co-operative Siberian bank. Though the time was unfavorable for the opening of such a bank, and though the agency of the Moscow Narodny Bank was already functioning in Novo-

nikolaevsk, yet, off and on, these ill feelings would revive and create a discord among the operators.

At the convention held in Beraul, province of Tomsk, by the Altaisky Credit Union, this question created almost a scandal. This credit union was the strongest union in Siberia, not only because it had the largest membership, but also because its operations were the largest in Siberia. At this convention seventy-four societies were represented and one hundred and twenty-nine delegates were present. One of the instructors of the bank addressed the delegates, asking their co-operation and showing not only what the Moscow Narodny Bank stood for in Russia proper, but also what it intended to do in Siberia. He ended his report by a direct appeal to buy shares of the bank. The opposition to the bank was voiced by M. O. Kursky, editor of the co-operative paper *Altaisky Peasant*. His main arguments were based on the general policy of Czarist Russia toward Siberia. He showed how Siberia had been robbed by Russia and how it behooved them to beware of her friendly attitude. He directly accused the Moscow Narodny Bank of an intention of robbing and plundering the treasures of the co-operators in Siberia. Such a speech could not but meet with disaster. The speaker shortly afterward was forced to resign his editorial post. The majority of the delegates were aroused in their indignation at such an uncalled-for speech. Many a speaker took part in the discussion following, but not one got such applause as the simple oratory of a peasant, F. M. Beloserev, a delegate of the Chaboliabinsky Credit Society. In the plain language of the peasant, he said:<sup>22</sup>

"We have created the Narodny Bank with our own strength and we have to fight for it. Co-operation is but newly born, and it has to learn to appreciate and develop itself. Let the Narodny Bank be called 'Moscow' or any other name. We must remember that it is primarily our own bank. You speak of a Siberian Bank, and I want to tell you that what we need is not only one All-Russian bank, but such a one as would be

<sup>22</sup> Dmitri Illinsky, "Siberian Co-operative Associations and the Moscow Narodny Bank," p. 33.

one for the entire universe. The time will come when all men of all countries will be as brothers and co-operators, and we shall have no more wars, and no more disputes but such as can be amicably adjusted."

As a result of all these speeches, the Altaisky Credit Union voted to purchase forty shares of the bank and to ask the bank to allow this union to be its correspondent, and thus, by an active participation in the activity of the bank, to make up for its original mistrust. One of its members was appointed to co-operate with the agency in Novonikolaevsk by serving on the advisory board of the body.

After this convention, the deposits of the Moscow Narodny Bank seemed to be firmly established and little by little new organizations were falling in line, and the Zakupsbyt was already agitating to enlarge the agency at Novonikolaevsk into a regular branch of the Moscow Narodny Bank, when a new attack upon the bank brought the co-operators once again to the defensive front. This time the attack came from the Department of Small Credit of the State Bank, which formally requested the Minister of Finance not to allow the opening of a regular branch of the co-operative bank. As a result of this intrigue in 1916, the purchasing committee received the following telegram from Petrograd: "The Department of Small Credit of the State Bank decided against allowing the opening of a regular branch of the Moscow Narodny Bank in Novonikolaevsk, since several co-operative societies have requested Mr. Filatov (inspector of small credit) to help them establish a separate Siberian Narodny Bank."

The friends of the Moscow Narodny Bank, led by the Zakupsbyt, called a special meeting of leading unions to discuss this telegram. The findings of this committee were unanimous. The indignation of the co-operators was such that they voted to put out all their strength to defeat the machinations of Mr. Filatov and his kind. A very impressive telegram was sent to the Minister of Finance asking him not to delay the permission necessary for the opening of the regular branch. The findings of this committee were given great publicity, and immediately from every union and their associated bodies there came hundreds of telegrams to the Minister

of Finance demanding a quick decision. The newspapers openly criticized Mr. Filatov. Such widespread indignation could not be ignored and had to be pacified at once. The permission to proceed with the opening of the branch was at last given, and this decisive victory settled once and forever hostilities against the bank. During the next few months, preliminary work was done, and in the spring of 1917 the branch was at last opened. The main difference between the agency and the branch as established in Siberia was that the branch necessitated elective directors from the shareholders. It received thereby a great autonomy such as the agency could not have. All this helped the growth of co-operation. The confidence in the bank increased daily and as a result the branch at Novonikolaevsk proved to be insufficient and numerous agencies were established in Siberia. The biggest triumph of the year was the decision of the credit unions to purchase shares in the bank, and to use the institution for their deposits. And thus, in the midst of the World War, the Moscow Narodny Bank came forward to far distant Siberia and financed the necessary commercial ventures of the country, giving that economic strength which was so much needed by war-ridden Russia.

#### SUMMARY

Summing up the net results of co-operative progress during the war period, we must say that, due to the exigencies of the times, the co-operative movement was able to gain a firm foothold in Russia, involving itself in new commercial ventures and bringing prosperity to its promoters. The co-operatives, because of the general disorganization of the country, were given the privilege of supplying foodstuffs to the soldiers at the front. The corn trade was carried on exclusively by the co-operatives. And in the meanwhile, the credit unions came to the help of the distributing societies and producers by supplying them with necessary funds.

While gaining financially through these various transactions, the co-operators utilized their gains not only for personal benefit, but also for the benefit of their country. Several of the large provincial unions financed military hos-

pitals at their own expense. Local co-operative societies assisted families of soldiers and gave temporary relief wherever it was needed. The Moscow Union and the Moscow Narodny Bank, besides financing a hospital for wounded soldiers, organized a special "War Victims' Relief Fund." The women co-operators organized special campaigns for funds for wounded soldiers, sewing and providing linens for the front. In this regard, they in no way differed from the rest of the Russians, trying to do their best for a militaristic war which was none of their making.

Besides flocking to the colors and financing hospitals and raising relief funds, the co-operatives purchased war loans and thus rendered an immense help to the government. But there was still another way through which the co-operators were able to serve their country. This other way was by far the most constructive and lasting of all their combined efforts. The war ruined the agricultural activities of the peasants. On the border line the peasants lived in perpetual fear of being obliged to flee, or of being robbed of their all by the incoming troops of the enemy. The marauders wandering through the country, the constant hearing of shells exploding in the distance, and, beyond all, the conscription of the male population—all this brought the country to a state where the villages were reduced to the utmost poverty, and where there was no incentive to till the soil and provide for a most uncertain future. In this hour of need, co-operatives, especially the credit associations, came to the assistance of the rural districts, forming new societies, advancing credit, promulgating enterprises, supplying machinery, and instructing in primary bookkeeping and accounting. It was due to the conditions of this period that numerous co-operatives entirely made up of women members were formed.

In spite of the difficulties which the co-operatives had to face, their attempts of this period to organize new locals were met with success. No other organization in Russia was able to marshal its forces and give more constructive help. While the co-operative movement involved enormous profits, due to the opportunities offered by the war, though the co-operative movement arose to its prominence amid the misery of the

country, it tried to render moral and financial help to the Russian people. Its constructive help can never be forgotten. It rightfully rose toward the end of the war as the biggest movement of the country, equaled in its popularity only by the revolutionary ideas which were sweeping now over Russia, bringing the war to its close, and establishing a new era for the world.

## CHAPTER V

### GROWTH OF CENTRALIZATION—1917-1919

A study of the Russian co-operative movement reveals its perpetual struggle with the Russian Government. Originally, though it was formed on a neutral basis, it was obliged for commercial reasons to make a stand against the government. Early in the century, the co-operators found that the only way to make progress in their own sphere was to combine and co-ordinate individual ventures, and thus eliminating duplications, to gain a new power through their united effort. Though the government strongly objected, the co-operators found means of obtaining their object, and many large co-operative unions were established even previous to the World War. Later, the Russian Government, pressed by the exigencies of the war time, granted new privileges to the co-operators. These utilized their opportunity by establishing the first national co-operative institution; namely, the Moscow Narodny Bank. At the same time, both in Russia proper and in her Asiatic dominion, there came a new growth of co-operation, giving rise to numerous new commercial ventures. Such was the general aspect of the co-operative movement at the beginning of the year 1917.

The March Revolution of 1917 was a Menshevik Revolution. The Mensheviks were always interested in the co-operatives, because such institutions were in accord with the general policy of opportunism. As soon as they came into power, therefore, they expressed their desire to be of further service to the co-operators. The Kerensky Government gave new zest to the entire co-operative movement. But this temporary government was unable to last very long, due mainly to the



fact that its mild and uncertain liberal program in no way corresponded to the demands of the times. People wanted peace, bread, and land. To accomplish this even in a measure, the Provisional Government was impotent, and as a sequence there came another revolution in October of the same year, sweeping away old ideas and ways of living. Crude as were their methods, the Bolsheviks, who now came into power, brought a new, complete, and sweeping program of political and economic reforms. The Bolsheviks represented the only party in Russia which at that time had a constructive plan of action, and which was able to control the country. Amidst the general turmoil, uprooting as it did all the old ideas, the co-operative movement could not have passed unnoticed or unchanged. In fact, so closely did the co-operative movement wind its way into every phase of Russian life, that while the old régime was being demolished, many changes had to be introduced into co-operation in order to co-ordinate it with the rest of the new system. The struggle of the Bolsheviks for political power and economic prosperity; all the vicissitudes they had to undergo; all their triumphs as well as adaptations to the inevitable introduction of the recent deviation from their own régime—all this had its reflection in the course and progress of the co-operative movement.

When the Bolsheviks came into power in 1917, they had to face numerous problems. The war was still going on, while in their own country the civil strife was carried on by enemies at home, and backed by foreign gold. While still fighting foreign intervention, the Bolsheviks attempted to reorganize industries, and introduce economic and social reforms. Furthermore, amid the blockade and the general disorganization of the country, they tried to adhere to their policy of direct action and demolish the obnoxious capitalistic order. Pressed for time, they turned their attention to the most vital things of the moment. Due to this the co-operatives, though undeniably products of capitalism, were left at first unmolested. Gaining new impetus, therefore, the co-operative movement increased its activity and in a short time became the leading co-operative movement of the world.

## CONSUMERS' ASSOCIATIONS

The most important part of this movement centralized in the consumers' associations. Among these the leadership was assumed by the Moscow Union of Consumers' Societies. This organization was fast becoming the central power of all the consumers' associations, and in 1917 it was reorganized and was merged into a national union, having a broad policy and uniting the entire consumers' movement of Russia. During the first two years it did an enormous business aggregating millions of rubles. This organization was properly named The Central Union of Co-operative Societies, and became better known by its abbreviated form of Centro-Soyuz.

The Centro-Soyuz, first of all, united all the provincial, territorial, and regional unions. Any union, having its own membership plus a membership of its allied bodies amounting to 10,000, could become a member of the Centro-Soyuz. The same rule applied to individual consumers' societies having a similar membership. On the same basis, mixed unions combining all types of co-operatives could also join the new central organization. It was quite important that the standard should be placed so high, for it prevented interference with the growth of provincial unions.

The Centro-Soyuz was managed by the general meeting of the delegates, the council, and the board. Each union affiliated was entitled to at least one delegate, with further representation at the ratio of one delegate for every 10,000 people. That being the minimum on which a union could be admitted, a minimum of one vote was automatically established. The maximum was also fixed; no union was entitled to more than ten votes. The meeting of the delegates was to convene once a year and to decide various questions pertaining to the general policy of the central union. At this time also a council composed of twenty people was to be elected. The candidates for this council were nominated by provincial unions and they were voted on at the general meetings of delegates. The function of this central board was the preparation of instruction for various departments of the Centro-Soyuz, nominations of the candidates for the board, and consideration of estimates

and schemes of the board, also consideration of certain financial questions, such as the pay, etc. The board, nominated by the council, and voted on by the general meeting of the delegates, was composed of five people, who took charge of the actual work of buying and selling. All dealings of the Centro-Soyuz with the outside world were carried on by the board.

Though sincere in their desire to serve the co-operative interests of the country, the members of the board could not very well conduct the affairs of the Centro-Soyuz without constant experienced advice. Consequently a special bureau of experts was established under the name of the Economic Department. This department, supervised by the board, made a study of commercial and industrial enterprises; gave expert advice; assisted in buying and selling; and issued the co-operative trade section of a co-operative periodical. This department was indispensable, and was represented in every transaction of the Centro-Soyuz. The educational and publicity work that was not covered by the economic section was carried on by another department named the Secretariat. Under this title came all enterprises and publications which dealt with co-operative education, training of the instructors, and publishing of statistics. This department also took charge of the recreational institutions of the Centro-Soyuz. It contributed largely to the maintenance of clubs, libraries, schools, moving pictures, and theaters. The instructors of the Centro-Soyuz visited different sections of Russia and formed new corporations and helped launch new enterprises. Due to the efforts of this department another special section devoted to co-operation was established in 1917. It was connected with the Shaniavsky University. It grew so rapidly that the following year a special college devoted to the study of co-operation was established. Funds for this purpose were raised through the united efforts of the Moscow Narodny Bank and the Centro-Soyuz. The number of applications was said to have been so numerous that through the co-operative bookstores the Centro-Soyuz was able to sell yearly books to a value of 2,404,000 rubles. The statistical department also helped to issue the annual review of the entire co-operative field. The

expenses of the Secretariat department outside of its publications during 1917 was 1,262,000 rubles.<sup>1</sup>

The following figures indicate the progress of the Centro-Soyuz during 1917 and 1918:<sup>2</sup>

Year.	Capital in Rubles.	Turnover in Rubles.	No. of Societies Affiliated.	No. of Unions Affiliated.
1917..	11,202,183	210,560,157	40,000	256
1918..	33,376,135	2,000,000,000	43,000	309

Such an immense amount of business could not very well be carried through a single department and, therefore, several sections, each to take care of its own line, were established. The Grain Department, for instance, was to take care of all the orders for grain. At the time of the sugar crisis this department also had charge of sugar beet factories and the production thereof. Next in size came the Fish and Grocery Department. This section, besides dealing directly with Western Europe through its trade in fish and canned goods, also dealt with Asia and Persia, importing from there principally dried vegetables and fruit. This department had charge, of course, of the various factories and plants for salting and drying fish. Another section took charge of buying fats and manufacturing and distributing their by-products, such as candles, soaps, etc. At first this department was connected with the section in charge of grain, but later in 1918, having increased its activity, it became independent. Then there was a department of timber and coal. Its turnover for 1918 amounted to 2,000,000 rubles. The Centro-Soyuz, through this department, was very helpful in organizing new timber artels and thus combating the private interests in the forests of the north. By-products of forestry were also associated with this department: all sorts of wood articles, dry distilla-

<sup>1</sup> F. E. Lee, "The Russian Co-operative Movement," p. 38.

<sup>2</sup> *Ibid.*, p. 39.

tion of wood, and tar. The Centro-Soyuz also established a department which was to take care of meat, eggs, and butter. A textile department, which was active in 1917 and which also included boots and leather departments, was destroyed when the government declared a monopoly on textiles. All contracts during 1918 executed by the Textile Department of the Centro-Soyuz were given by the government. Toward the end of 1918 an ironmongery section was also established. It served more or less as the purchasing agent in the line of tools. Under the title of the Miscellaneous Department, the Centro-Soyuz conducted various enterprises such as manufacturing small articles for daily use: matches, tobacco, confectionery, stationery, and drugs. The turnover of this section in 1918 was 27,100,000 rubles.

This general outline of the various departments of the Centro-Soyuz indicated the size and variety of its activities. As a natural consequence, the Centro-Soyuz came to own large real estate property scattered throughout Russia. It included packing and slaughter houses, sausage works, cheese factories, tea packing plants, match factories, and so on. To this we must add numerous warehouses, office buildings, libraries, schools, publishing houses, bakeries, etc. The following is a partial list of this union's real estate property for 1918 and its equivalent in gold rubles.<sup>3</sup>

Land, Buildings, and Stores in Moscow.....	859,484
Starch and Molasses Works. ....	422,000
Match Factory . . . . .	109,423
Tobacco Factory... ..	51,309
Boot and Shoe Factory . . . . .	2,203,995
Confectionery and Baking Plant.....	2,000,000
Soap Factory.....	17,072
Brick Kiln.....	63,000
Flour Mills.....	3,682,723
<b>Total.....</b>	<b>9,409,006</b>

<sup>3</sup> F. E. Lee, "The Russian Co-operative Movement," p. 38.

These figures give us an idea of the general trend of the activities of the Centro-Soyuz. It is evident that the Centro-Soyuz, if left unmolested, would have become the owner of the largest industrial enterprises in Russia. As a matter of fact, in 1917 it had already established a special industrial department which was to deal with the problems of their industries, their personnel, and so forth. The following data for 1918 give us an idea of the working capital of a few of the industrial enterprises of the Centro-Soyuz:<sup>4</sup>

Name of Industrial Enterprise.	Working Capital (in Rubles).
Moscow Chemical Plant .....	1,700,000
Moscow Baking and Confectionery Plant .....	8,000,000
Tobacco Factory in the Province of Tombov .....	2,500,000
Boot and Shoe Factory in the Province of Ryazan .....	8,000,000
Soap Works in Kursk .....	1,500,000
Starch and Molasses Factory in Nijni-Novgorod .....	10,000,000

The biggest drawback to the free development of the Centro-Soyuz, from its very beginning, was the lack of good facilities for transportation. When the union was first organized, the war was still going on and the railroads were used for transportation of soldiers, of ammunition, and of provisions to the various fronts. Besides, like all war-ridden countries, the Russian railroads were in a very bad state. The Centro-Soyuz had to undertake the building up of some other means of communication, these to be used for shipment of goods between various branches of its commercial enterprises. Russia abounding in rivers, the co-operators began utilizing these, and for this purpose, barges, towboats, and steamers were purchased. Eventually a special Transportation Department was established. It had immediate charge of the tariff, shipment rates, capacity and improvement of various means of transportation, drawing up plans for build-

<sup>4</sup> F. E. Lee, "The Russian Co-operative Movement," p. 35.

ing boats and barges, and the purchasing of automobiles. Such purchases as were later made by the co-operatives abroad for railroad reconstruction were made through this department.

Though a co-operative undertaking, the Centro-Soyuz was built along the same lines as the large wholesale societies of Great Britain, and similarly to those it was running its various departments and industries on a purely capitalistic basis. The workers were hired and paid according to a special rate, agreements being made between the Centro-Soyuz and the trade unions. Special provisions, however, guarded the privileges of the workers and gave an excellent supervision over the sanitary conditions of the factories. The department also instituted social insurance, medical assistance, pensions for employees, assistance for educational enterprises of employees, and so on. In order to take care of this program and readjust such labor disputes as might arise, the Centro-Soyuz established a special Labor Department.

This wise precaution was more than necessary, since the previous years witnessed a number of "misunderstandings" between employees and the management of the co-operatives. Some of these disputes resulted in strikes, extremely harmful for the country at large. Primarily, these strikes were due to difficulties arising from collective agreements and the scale of wages involved. The co-operators were running what may be called "closed shops," having agreed with the employees to accept only workers who belonged to a trade union. In order to fulfill this promise, the co-operators gave the workers the right to serve on the "committee of inspection," and thus protect the interest of the "closed shop." The trade unions in autocratic Russia were purely local affairs and were subjected to a vigilant supervision by the police, and even from time to time were suppressed entirely. Considering all these difficulties, it was impossible to create a universal trade-union movement, with set rules and an active discipline of its members. There were frequent cases when the workers came into conflict with their own unions and refused to abide by their rulings. The chief difficulty which the co-operators had in dealing with workers was in hiring them. Numerous

delays were caused while the workers' "committee of inspection" verified the papers and statements of the new applicants. The co-operators then utilized an expedient measure: they began employing the new applicants as temporary workers, transforming them into permanent ones as soon as all negotiations were satisfactorily concluded. This caused numerous protests on the part of old employees and even resulted in strikes. The Labor Department of the Centro-Soyuz was to take charge of all these frictions and deal with trade unions directly.

In the labor disputes between workers and co-operators, the problem of adequate remuneration gave rise to dissatisfaction on the part of the employees. Since the beginning of the war the salaries had been frequently revised, the rises sometimes being even higher than those demanded by the employees, but the constant rise in prices and the depreciation of money always led to a rapid upsetting of the balance between the salaries and the cost of living, and provoked new discontent among the workers. In these disputes, the directors of the co-operatives were not blameless. Overburdened with work and facing grave responsibilities, they frequently allowed the discontent among the employees to reach an acute stage instead of satisfying in time their moderate and just demands. In view of all this friction, the step taken by the Centro-Soyuz in creating a special Labor Department was enthusiastically welcomed by the entire staff, who interpreted this step as a pledge of justice on the part of the co-operators.

In order to accomplish their gigantic scheme of co-ordinate consumers' activity, the Centro-Soyuz required immense sums of money. Its own funds being inadequate, the new organization launched the most interesting financial campaign ever recorded in the history of the Russian co-operation. In the first place, the Centro-Soyuz began accepting deposits, paying on them, in accordance with the terms and other conditions, from six to seven per cent interest. The deposits and their repayment were guaranteed by all the property of the union. Besides, the union also introduced a system of "loan



certificates," the object of which was given in detail in a circular letter, published in the union's official weekly publication. Besides stating in detail the industrial ventures of the Centro-Soyuz and the necessity of financing them on a large scale, the letter explained the new scheme of raising money. The "loan certificates" were issued on the following terms: The certificates were in series of 10, 25, 50, 100, 250, and 500 rubles, repayable in not less than six months at six per cent per annum. They were to be sold both to public organizations and private persons. This scheme was successful, some of the large unions affiliated with the Centro-Soyuz generously subscribing considerable sums of money. Thus the Union of Consumers' Societies of the Northeast Region invested altogether 42,000 rubles. In this fashion the Centro-Soyuz was able to raise about one million and a half rubles, which meant that in practice it was able to create industrial undertakings worth from four to five million rubles.<sup>5</sup> In this way the finding of new credit and capital played an important part in furthering the growth of co-operative industries and production.

Besides the central office in Moscow, the Centro-Soyuz established numerous agencies and offices in European Russia, Siberia, Turkestan, and other foreign countries. The total number of offices at the end of 1918 were ninety-five, out of which fifty were in Russia, twenty in Siberia, seven in Turkestan, and eighteen in foreign countries. The principal ones among the latter were situated in London, Christiania, Helsingfors, Stockholm, Kobe, Bokhara, and New York. Notwithstanding these numerous agencies, some of the affiliated unions were obliged to carry a part of the trade independently; this being due to the general disorganization of the country.

The consumers' societies were not the only ones which achieved an enormous growth during this period. The following table gives a graphic idea of the general growth of co-operation:<sup>6</sup>

<sup>5</sup> "Financing of the Moscow Consumers' Societies," *The Russian Co-operator*, Jan., 1918, p. 27.

<sup>6</sup> F. E. Lee, "Co-operation in Russia," p. 12.

### NUMBER OF SOCIETIES INVOLVED IN THE CO- OPERATIVE MOVEMENT

Kinds of Organizations.	Jan. 1, 1917.	Jan. 1, 1918.	Jan. 1, 1919.
Credit and Loan Associations . . . . .	16,057	16,500	26,500
Consumers' Societies . . . . .	20,000	25,000	40,000
Agricultural Societies . . . . .	6,000	8,000	8,500
Artels of Kustars (including Creamery Artels) . . . . .	4,000	4,500	5,000
Total . . . . .	46,057	54,500	80,000

Co-operative organizations at the end of this period represented 100,000,000 people, which were directly connected with 80,000 local organizations and 500 unions. The capital of all the co-operatives was estimated at 230,000,000 rubles. The co-operative movement boasted of having 5,000 industrial plants employing 50,000 workers.

Utilizing their very first opportunity, the co-operatives held a congress in order to discuss problems and opportunities of co-operation in newly freed Russia. This was the third All-Russian congress, vastly different from its two predecessors. While the former experience of co-operators under the czar's régime was well remembered for the official supervision of the police, this congress was convened under the new banner of liberty. It met in Moscow on the seventh of April, 1917. It was conducted without the usual procedure of applications and solicitations. There were no government officials to examine, under a magnifying glass, the objects and probable addresses and resolutions of the gathering with the object of discovering in them some germ of opposition to the established order. There was nobody present to watch over the proceedings, to scrutinize the speeches, or to keep the congress within the strict limits prescribed by the former laws of autocracy.

It was natural, therefore, that being unrestricted in any way as to the expression of their opinions, and meeting as

they did amid the storm of the Revolution and the thundering of the guns of the World War, for the delegates to center their discussions primarily upon the problems of political and economic nature. Besides the reports of the central committee, the agenda of the congress afforded discussion of: (1) the food problem; (2) the duties of co-operation toward the revolution; and (3) the creation of an All-Russian co-operative organization.

The food question was of deep interest, not only to the co-operators, but to the country at large. The war and the general policy of the czar's régime brought the country to the brink of ruin. It was not surprising, therefore, that the provisional government at the first dawn of the revolutionary upheaval turned to the co-operative congress for help. Several of the co-operators, Messrs. V. I. Anissimov, D. S. Kوروبov, A. E. Kulyzny, and V. N. Zelheim, were appointed by Premier Kerensky as "food controllers." This great honor and trust was announced to the congress by Mr. Zelheim himself, who was already serving the new government in the capacity of Assistant Minister of Agriculture. Mr. Zelheim concluded his address by saying that he and his colleagues had accepted the post of service to the country, relying on the confidence and support of all co-operators. The audience replied by expressing its approval in a storm of applause and enthusiasm. Another speaker of importance on this subject was the Minister of Agriculture, Mr. A. I. Shinbarev, who said that the government has come to the co-operators, as to a great army of industrial ants, with a fervent appeal for help. On its part, the provisional government was ready to assist the co-operators with plows, kerosene, and cloth. It hoped that the co-operators would take upon themselves the burden of organizing the food supply of the country. The co-operators unanimously voted to utilize the whole machinery of their movement to attract to this task the entire nation and every peasant who was able to provide bread.

#### POLITICAL ISSUES AND THE CO-OPERATIVE MOVEMENT

While the congress was unanimous in this very important decision, numerous debates followed the opening of the politi-

cal questions of the day. Part of the delegates under the leadership of the spokesman, Professor Totomiantz, an able writer and leader of co-operation, insisted that co-operation must keep aloof from purely political questions. It was impossible, however, to apply this spirit now in view of the recent political upheaval which made even this congress a realized possibility. The majority felt that, representing as they did the Russian people, it was impossible for them to stand aside and evade so important an issue. This opinion carried the day and then came various resolutions pledging the support of the co-operatives to the new government. The co-operators were also to watch for the least sign of counter-revolution and to begin immediately the work of creating "centers for political education of the masses in the hamlets, villages, and towns, for spreading among them suitable literature, for holding meetings, and sending out speakers."<sup>7</sup> The congress voted to remain loyal to the Provisional Government and to support it in every way until the Constituent Assembly should be convoked. This resolution was passed in the presence of A. F. Kerensky, who was then a guest of the congress.

These various discussions, reported in the daily papers, attracted numerous visitors of prominence. Besides the leaders of the Revolution, there were several people of international fame. Among others were Professor Tugan-Baranovsky, N. V. Tchaikosky, and the Grandmother of the Revolution, Babushka, E. K. Breshkovskaya. The presence of these people typified the entire atmosphere of this congress. It was very much in keeping with the spirit of the times. Similarly to the Kerensky Government, this congress, though liberal and patriotic, was most indefinite as to the ultimate relations of the various political parties. It had no definite program for political reconstruction, nor for the ultimate aims of the Revolution. The general hopes expressed by the delegates suggested a need for a special convention, in order to have all the political parties represented and

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<sup>7</sup> "The All-Russian Co-operative Congress in Moscow," *The Russian Co-operator*, May, 1917, p. 92.

united under one flag of democracy. It was hoped that in such a way a coalition program of one large political party could be worked out.

Having participated in such declarations and representing a large part of the population, it was but natural for the Russian co-operators to take further steps on the road of politics, not only as individuals, but as an organization. In August of the same year they participated, therefore, at the democratic conference in Moscow. It seemed for a moment that a wider unity of all liberal and progressive parties had been attained, and the hand stretched out by Tsareteli, at the end of a brilliant speech of great force, was warmly seized by a delegate of industrial workers. This hand-shaking symbolized the unity of all parties so much needed and so much hoped for by the delegates at large and by the co-operators in particular. However, political events which came now with a kaleidoscopic rapidity put this unity to the test and it dissolved as a bubble. The Kornilov revolt and the subsequent revelation as to its origin and aims proved the turning point in the inner relations in the ranks of democracy. The "united revolutionary front" was destroyed, and the middle classes represented in their party "cadets" were so strongly compromised that the workers' party refused to form a coalition with them. The predominant majority of the Russian co-operators, however, while condemning the plotters and conspirators against the freedom of the people, were not prepared to break with the middle classes, and insisted that coalition of all classes must be achieved. This position of the majority led to a division in the ranks of the co-operators. The representatives of labor co-operatives refused to identify themselves with this policy. They began agitating an extreme socialistic platform. In this fashion the co-operators arrived not only at the crossroads of national politics but at the crossroads of their own united front of co-operation.

One of the most encouraging facts of the co-operative movement since the beginning of the World War was the fact that co-operation in Russia was reaching the indigent classes more and more. According to the data for 1918, for instance, the

membership of the consumers' associations was composed as follows: forty seven per cent peasants, forty five per cent workers, and eight per cent middle classes. Partly because of such a sharp division which made it easy to differentiate the co-operatives wholly made up of laborers, and partly due to the revolutionary ideas, the desire of the workers to combine as integral groups was uppermost in the minds of the Russians. Due to these things, the labor co-operatives attempted to reorganize themselves and form a separate All-Russian Central Union of Labor Co-operatives. The more so did they desire this, since they could not agree on political questions, a fact which was manifested at the congress.

In view of such a desire, the labor co-operatives adopted the usual mode of procedure by calling the first All-Russian Congress of Labor Co-operative Societies, which convened about the middle of August, 1917. Some two hundred and six delegates attended this congress. They represented over a half million members of co-operative labor societies of various types. The bureau which convened this congress sent out six hundred and sixty-eight invitations, but, owing to the unsettled state of affairs existing in the country, it was difficult to get in touch with all labor societies. So that the hundred and twenty-four organizations represented at the congress in no way exhausted the total number of the possibilities which lay in such a united front of the labor co-operatives.

The agenda of the congress included, among others, the following items: Labor co-operation in Russia (its aims, principles, and attitude to other forms of co-operation); the food problem and the Consumers' societies; educational activities and labor co-operation; co-operation and municipal authorities; the employees of consumers' societies; and the international co-operative conference. This agenda covered most of the important issues before the delegates.

A number of important reports was given. One of the most interesting statistical papers was read by M. Kheissin, who pointed out that, though the total membership of the labor co-operatives only reached one million, yet their importance

was very great. He gave the following figures in support of his statement:<sup>8</sup>

"In 1913 the consumers' societies of working men amounted to only seven per cent of the total number of all consumers' societies, but their members equaled thirty per cent of the total membership, and their working capital constituted forty-five per cent. According to the reports of the Moscow Union of Consumers' Societies of 1914, labor distributive societies formed only ten per cent of its affiliated branches, but the working capital provided by them amounted to seventy-six per cent of the whole working capital of the union."

The aim of the labor co-operatives was presented as being the participation in the liberation of the working classes from subjection to capital. It was pointed out that it was impossible to accomplish this through co-operation alone. Labor co-operatives were to work hand in hand with the trade unions, assisting them in times of strikes and walkouts, for which purpose they were to set aside a special fund. At the same time, recognizing themselves as part of the labor union, the labor co-operatives were to aim at the reduction of the cost of living and were to supply the masses with food of good quality. In this way, by assisting the work of the trade unions and thus helping to raise the standard of life among the masses fighting for better conditions of work and pay, the labor co-operatives were at the same time to keep the prices low so as to increase the purchasing power of the workers.

In order to achieve these aims, and following the example set by other co-operative bodies, the labor co-operatives were to form larger groups and centralize their activities in some central union. This natural conclusion, however, did not find a unanimous support from the ranks of the delegates present. A prolonged and heated discussion typified a variety of opinions. "Some speakers advocated the complete separation of the labor societies from the other co-operative organizations and bodies, their objects and aims being frequently opposed to those of the societies not having a pure working class mem-

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<sup>8</sup> "The First All-Russian Congress of Labor Co-operatives," *The Russian Co-operator*, Oct., 1917, p. 175.

bership. Others, again, admitted the necessity of creating a special central body to act as the intellectual center of working class co-operation, while retaining business relations and economic contact with other co-operatives. A third group of speakers denied the expediency of separating themselves from the general co-operative movement, and were in favor of remaining as before, closely united in all economic and business matters with other unions, retaining even their intellectual leadership and guidance."<sup>9</sup>

A decision was finally reached by which the creation of a separate All-Russian union was given up, but by which a special council of labor co-operatives was created. The task of this body was to render political leadership and co-ordination of educational activities. This central body was to consist of thirty-five members, of whom sixteen were immediately elected by the congress. Among the men thus elected were the following: M. Shishkin, foreign secretary to the council of All-Russian congresses; P. N. Kolokolnikov, assistant minister of labor; L. M. Ilintchuck, president of the Moscow Council of the Workmen's and Soldiers' Deputies, and also trade manager of the Centro-Soyuz. This central organization received the name of "Centro-Sectzia" and remained as a part of the Centro-Soyuz. A year later it became a separate autonomous organization. The Soviet Government favored such a separation, but later, by a decree of March 20, 1919, reunited them again.

In the meanwhile, the Kornilov affair was followed by the breaking up of the Kerensky ministry. A "Directory" of five persons was established, but this form of government was also of short duration; the three most prominent members being opposed to its general policy. In order to arrive at the proper solution, the central executive committee of the Soviets decided to summon a new democratic conference in Petrograd. With this purpose in view, they invited all those who had participated in a similar conference held previously in Moscow in the month of August. The co-operative organiza-

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<sup>9</sup> A. Sonev, "The First Congress of Labor Co-operatives," *The Russian Co-operator*, Oct., 1917, p. 176.



tions were also invited, and one hundred and fifty seats were assigned to them.

In order to be able to participate in this conference, a special congress of all co-operative societies was summoned to meet at once in Moscow. In the meanwhile, some central organizations which had permanent offices in Moscow held, on the eve of this All-Russian congress, a special meeting. They issued the following resolution which was sent in the form of a telegram to the temporary government and also to the central committee of "Soviets." Objecting first to such a conference, called not by the government but by the "Soviets," they demanded that at least it should be of a national type embracing all classes. "We are convinced," the telegram read, "that this opinion is shared by the overwhelming majority of Russian co-operators. The illusions as to the possibility of combating the general disorganization of the country exclusively with the aid of forces organized by the 'Soviets' is not shared by the rest of the population, and can lead only to civil war and the ruin of Russia. Fully aware of our responsibility to the country, we insist that the government must firmly adhere to this principle when reconstructing the Cabinet."<sup>10</sup>

This telegram was highly approved by the co-operative congress which met on the very eve of the assembly of the democratic conference. The co-operators decided to participate in this conference, and thirty seats out of one hundred and fifty were allotted to the labor co-operatives. It was most interesting, in view of the split in the ranks of the co-operatives, that these thirty men entirely separated themselves from their brother co-operatives and at this democratic conference voted independently and contrary to the sentiment of the other group. As known, this democratic conference did not come to any conclusion on the principal questions concerning the structure of the government. The division was not healed but only further intensified.

At the same time the coming elections to the constituent assembly further alienated the co-operatives from the bulk

<sup>10</sup> A. Sonev, "At the Crossroads of Politics," *Russian Co-operator*, Dec., 1917, p. 20.

of the Russian democracy. To decide this particular question, a special All-Russian co-operative congress was convoked and was held in the middle of October in the same year. Numerous discussions revealed the desire not only of coalition but of entering their own independent co-operative candidates in the campaign. The chief advocates of this independent co-operative party were V. J. Annisimov, A. V. Tchaianov, Madame E. Kuskova (who was the promoter of a number of political resolutions at the third All-Russian congress), and to the general surprise of all, Professor V. Totomiantz, who on former occasions had warned the congress about participating in politics. The events of the revolution forced this change of opinion in many a co-operator. The labor co-operatives fought tooth and nail against the formation of a separate political platform. There were other less radical men who sided with them because they felt that the creation of a political party would eventually split the entire co-operative movement. However, the majority was in favor of entering independent candidates, and a political platform of the party was formulated.

The principles of policy adopted by the congress in Moscow on the nineteenth of October, 1917, was of a general nature. In the preamble to these declarations the congress explained the "general" nature of the co-operative platform as follows: "Co-operators are convinced that their delegates need only general indications as to the line of policy to be pursued. Details must be left to their free discretion and not bound by wide promises. We believe in the general common sense of our people. We are convinced that our elective representatives must not enter the assembly with ready-made remedies on all questions."<sup>11</sup> The general aims as stated in these declarations were: (1) to establish order in Russia; (2) to help fight the enemy and conclude an honorable peace treaty; (3) to hand over land to "those who work it"; (4) to attain national progress of industry and trade; and (5) to establish a democratic constitutional government.

<sup>11</sup> "The Political Platform of the Russian Co-operation," *The Russian Co-operator*, Jan., 1918, p. 21.

While these resolutions, commendable in themselves, were made public, little of anything was accomplished thereby. In the first place, no half measures were of any import just then. This platform was not new, for it was almost identical with that offered by the Kerensky Government. The reason it failed was because it evaded the issues, prolonged the war, and settled nothing. Events showed that coalition just then was impossible; the split was too deep, people demanded peace, and nothing short of work and bread and peace could have satisfied them. The only party which had the strength of organization, political discipline, and a definite program was that of the Bolsheviks. It was not a question whether their party was the best; it was the only one which was politically strong enough to take over the tottering government and suppress anarchy. And so in October, scarcely a few hours after the co-operatives made public their platform, the Revolution once more broke out, and the Soviet Government came into power.

In reviewing the entire experience of the co-operators as a political body, one must rejoice that it was but of short duration. The field in which co-operators were experienced was that of economics. In that province of activity it was best for them to stay. Though as private individuals the co-operators still appeared in the political upheaval, they did not participate in politics as an organized body. The Bolsheviks grew in power and gradually restored peace in Russia. In the meanwhile, the co-operators once more intensified their economic activities.

The only permanent result of all co-operative conventions which were held during 1917 was the formation of a permanent council which was to be the guiding light of the entire co-operative movement. This council, under the name of "The Council of the All-Russian Congresses," was composed of fourteen delegates elected annually. Among the various duties of this body was that of giving legal advice, of looking after the general interests of co-operatives, and of publishing modern by-laws. It was also to publish a year book and other periodicals setting forth the co-operative propaganda. In other words, the Council of All-Russian Co-

operative Congresses was to unite and co-ordinate the entire co-operative movement in Russia. In order to do this task in an efficient manner, the council subdivided itself into sections, each one devoted to some particular object. Thus, one department was to give legal advice, another took charge of publications, and so on. In order to maintain this organization, large funds were needed, but there was no difficulty in obtaining them. All of the contributions were of a voluntary nature, being voted on by various co-operatives, and derived from their annual profits. Numerous prominent leaders of co-operation entered as members of the new council, thus assuring splendid work and promising success to the new organization.

#### GROWTH OF MOSCOW NARODNY BANK

Among the associations which took part in fostering the unprecedented growth of co-operation, the Moscow Narodny Bank occupied a place of prominence and respect. The success of this bank was due mainly to its ability and foresight in rendering services to the Russian co-operators. This help was rendered through the operations of the Goods Department. Besides 125,000 harvesting machines among various purchases made on behalf of co-operative societies during 1917 we find the following items:

Purchases.	No. of Tons.
Binder Twine . . . . .	18,000
Sulphate of copper . . . .	11,000
Sulphur . . . . .	2,000
Insecticides . . . . .	60
Seeds . . . . .	300
Fertilizers . . . . .	3,000

The total value of purchases made during that year amounted to 43,953,000 rubles. Considering the numerous difficulties attending these transactions and the general disorganization of transportation, the service thus rendered by

the bank was of great assistance to the country at large. Pursuing its original policy, the council of the bank proposed to float the fourth issue of shares. This scheme was presented on April 23, 1917, at the annual meeting of the shareholders. This proposition met with unanimous approval and it was decided that the total amount of the issue was to be 6,000,000 rubles, thus raising the capital to 10,000,000 rubles. The nominal price of each share was to be 250 rubles, but the selling price was to be 260 rubles. The ten extra rubles which were thus obtained were to be divided evenly in the following fashion: five rubles going to meet the expense of the issue, and five rubles to increase the reserve fund of the capital. No shares were to be sold to private individuals. Although this report met with general approval, due to the above-mentioned new specifications, the final decision on this subject was postponed. A special meeting to decide this question was called in June when the fourth issue was finally sanctioned. According to the former promise, priority was given to those left dissatisfied with the division of shares of the third issue. Preference was also given to those already in possession of some shares of former issues. The shares were bought very quickly and by the end of the year were almost all paid out.

The special meeting of June, 1917, besides deciding the question of the fourth issue of shares, had to decide still another very important problem: the possibility of establishing the long-term credit department. Up to this time the Moscow Narodny Bank granted loans of short terms only. But with the progress of the war there was a constant need of new industrial ventures on the part of co-operative societies. Various single consumers' associations as well as their unions ventured to manufacture clothing and soap. It was almost impossible to return the loans from the profits of a single year or two. Industrial life was very much disorganized and there was a crying need for new machinery. Consequently, in order to meet their obligations, the co-operators were hard pressed and had to seek further loans from private banks. It was self-apparent that in order to secure success in the industrial fields, the co-operators needed long-term loans. This

was also quite true of the agricultural societies. Nor was this felt only by those who were beginners. The greater need was felt by those who were enlarging their activities. New buildings, new machinery, raising cattle—all these new items of inventory could not be met by the returns of one or two seasons. And while the co-operators were making long-term investments, they wanted the bank to supply the means on a similar basis.

The Moscow Narodny Bank met this demand and in 1917 established the long-term credit department. All loans of this department were to be advanced for industrial and agriculture unions, and, in some cases, for single organizations under the special guarantee of a union. Hitherto the longest term was from three to five years. Now these loans were to be of two kinds: first, loans of ten years with or without guarantee of real estate; secondly, loans given for thirty-six years and four months. This second kind of loan was to be given in the form of a special bond issue of the bank bearing five per cent under a security of real estate. Operations of this department were to be similar to that of a regular mortgage bank. Besides the interest on the loan, each client had to pay as yearly amortization the total sum by the expiration of the time for which it was issued. The council ruled to keep the bookkeeping of this department separate from other departments. This was a very wise decision and facilitated matters of accounting. The Moscow Bank thus became the first institution of its kind to finance industrial ventures of Russia.

Needless to say that to be able to advance such large amounts on long terms, the bank had to provide special capital to be used by the new department. The total share capital of the bank was 10,000,000 rubles. One fifth of this sum was set aside as the nucleus of the initial capital of the long-term department. Besides this, the council ruled that:

(1) Thirty-five per cent of the profits of the department should be set aside annually to increase the reserve capital.

(2) Half of the total deposits left in the bank for two years or over should be given over to the new department.

(3) The long-term department was to receive all the de-

posits which were placed in the bank for five years or more. This meant that this department would receive all long-term savings accounts.

(4) This department had the right to issue bonds in proportion to the total capital on hand, the ratio being one to ten. These bonds were to bear five per cent, and were to be sold primarily to the credit unions which could use for this purpose their reserve and initial capital. Such sales were to be an additional contribution to the long-term credit department.

The stability of the bank during this period was indeed remarkable. Even the very eventful year 1917, a year during which the Russians were fighting at the front and at the same time participating in the Revolution at home, did not destroy the confidence reposed by the people in the co-operative movement at large and the co-operative bank in particular. Amid the general turmoil the Moscow Narodny Bank conducted business on a much larger scale than formerly. The current accounts of deposits a month amounted to 6,000,000 rubles. The bank loaned during this year 425,000,000 rubles, the turnover for the entire year being 3,000,000,000 rubles. During the following year the bank loaned 900,000,000 rubles. Deposits for that year amounted to 150,000,000 rubles, while the turnover reached 5,823,000,000 rubles.<sup>12</sup>

In January, 1918, the council of the bank decided to issue a fifth stock of shares which amounted to 25,000,000 rubles. This raised the total capital as represented in the shares to 35,000,000 rubles. Like those of the fourth issue, the price of this new issue was 250 rubles each, with the additional charge of ten rubles a share to cover the cost of the issue and to increase the reserve capital. This time, however, a new policy was introduced and new regulations governed subscriptions. All co-operative societies, irrespective of their type, could purchase shares in direct ratio to their balance sheet, as indicated herewith: a balance sheet up to 25,000 rubles entitled the society to two shares; up to 50,000 rubles, to four

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<sup>12</sup> F. E. Lee, "The Russian Co-operative Movement," p. 45.

shares; up to 100,000 rubles, to six shares; up to 200,000 rubles, to ten shares; and for each additional 100,000 rubles an additional five shares. The subscriptions to these shares came in so quickly that in response to the universal demand the bank brought out still another issue of shares amounting to 100,000,000 rubles. This was floated in December of 1918.

This prosperity of the bank naturally reflected on the total sum of the net profits. During this period the bank utilized these profits in various ways. Besides paying the regular dividends to the shareholders, the bank financed several educational schemes. Among other things it financed the co-operative college and museum by giving it 42,300 rubles, at the same time giving 27,000 rubles to the Shaniavsky University to maintain courses on co-operation. The council of the All-Russian Co-operative Congress received from the bank 50,000 rubles. When the committee was appointed to take charge of rural credit and industrial societies in order to promote co-operative interests, the bank gave 20,500 rubles to finance it. At various times sums of money were given to the war sufferers, this item alone in the single year of 1917 amounting to 128,000 rubles. In these various ways the bank utilized its net profits to benefit the co-operators and the country in which they lived.

#### CENTRALIZATION OF AGRICULTURAL CO-OPERATIVES

Another way in which the Moscow Narodny Bank assisted the co-operative movement was by participating in the organization of various central bodies which were to unite and centralize the agricultural co-operatives. Up to this period the Moscow Narodny Bank through its Goods Department took care of all purchases and sales for agrarian co-operatives. From the very beginning this department conducted its business independently so that eventually it could become an independent organization. In June, 1918, at the general meeting of the shareholders of the bank, it was decided that the time was ripe to proceed with the necessary reorganization. Contrary to the original expectations of the co-operators, and mainly due to the vastness of the territory and to the desire for specialization, instead of one single central union there



came into being several such organizations, each uniting a single branch of agriculture. During the period of two years covering 1917 and 1918, the Moscow Narodny Bank assisted in the formation of the following agricultural unions, as tabulated below:

April, 1917, The Central Association of Fruit Growers and Market Gardeners.

May, 1918, The All-Russian Union of Co-operative Societies for Marketing and Treatment of Potatoes.

June, 1918, The All-Russian Purchasing Union of Agricultural Co-operatives.

June, 1918, The Central Co-operative Union of Hemp Growers.

Aug., 1918, The Central Union for the Sale of Poultry Farm Products.

Dec., 1918, The Central Union of Co-operative Societies Engaged in the Production of Grain.

The very first agricultural association created on a national basis at this period by the Moscow Bank was that of the Fruit Growers and Market Gardeners. It began its operations in April, 1917. The bank generously assisted the new union by purchasing one thousand of its shares, valued at two hundred and fifty rubles each. The central union was to take care of the sale of raw and preserved fruits and vegetables. It was to purchase for its members seeds and other materials of primary necessity in connection with their produce. It was also intending the purchase of various plants for preserving fruits and vegetables. Its technical department, through the staff of employed instructors, was to give special assistance and advice in every branch of their particular industry.

This field of work was practically as yet untouched by co-operation. In view of immense possibilities, the newly organized Central Association of Fruit Growers and Market Gardeners decided to establish a special agency in Kiev, which was to devote particular attention to the provinces adjoining the Black Sea coast. This agency began operating in the spring of 1919. One of the first steps taken by the Kiev agency was to call a conference to discuss the best means of

realizing the rich harvest of fruit of that year. Fears were expressed lest, owing to the hopeless situation regarding transportation, the harvest might be lost. The conference decided to form immediately several co-operative associations. The most important of these was the Kherson Society of Fruit Growers and Market Gardeners. This society was inaugurated at the end of June, 1919. It established a large store at Kherson for the sale of fruits and vegetables delivered by its members, and immediately purchased several fruit-preserving works. At the beginning of 1920 an agreement was reached with the local food authorities to deliver various vegetables, fruit extracts, and preserved fruits, altogether amounting to over 5,000 tons, the total value being 40,000,000 rubles. The Moscow Narodny Bank, through its branches in Odessa, advanced to this society 500,000 rubles of credit during 1919.

The Kherson Society was but one of many organized in the south by the Central Association of Fruit Growers and Market Gardeners. Similar societies were established in Aleshki, Melitopol, and other cities along the Black Sea. Likewise, efforts manifested in other localities of Russia indicated a field full of possibilities for large and productive co-operative activity. Instead of dealing with private firms for buying and selling and being dependent on speculators, all of these unions were to sell through the co-operative organization. This association was to charge only two per cent on the amount of goods sold for them, and five per cent on purchases for them of various implements and requisites. These charges were barely sufficient to cover the expenses of organization, the chief aim being to benefit the individual societies.

The second union established at this period was that of the All-Russian Union of Co-operative Societies for Marketing and Treatment of Potatoes. It was organized in May, 1919; was directly connected with the Moscow Bank; and only received its autonomy during the following year. The object of this union, commonly known as the Potato Union, was to unite all co-operative societies engaged in growing potatoes, or in manufacturing its by-products, such as starch, molasses, potato meal, and so forth. Thirty-eight local unions became

at once charter members, but within the very first year that number increased more than twofold. This union was a mixed body involving, as it did, not only societies actually producing potatoes or its by-products, but also such credit associations and distributive consumers' societies as were in direct touch with the peasants. Two thirds of affiliated societies were directly involved in the production of potatoes, and one third only indirectly with it.

At the end of 1918—that is, within ten months of actual activity of the union—the following data were descriptive of its activity and financial standing:<sup>13</sup>

The share capital.....	262,773 rubles
Credit given by the various banks..	16,000,000 “
Total turnover.....	82,000,000 “

The members of the union owned collectively about seventy factories engaged in the obtaining of by-products from potatoes. Besides the union itself, supported by some of its allied branches, purchased two molasses and two starch works. It was also obliged to lease engineering works for the manufacture and repair of machinery required by the peasants. The government also intrusted to this union the erection of ten potato-drying works and advanced to the union 1,000,000 gold rubles for this purpose. During 1918 six of these plants were in the process of being erected; the rest were supposed to be completed in 1919. The quantity of starch obtained by the union for 1918 amounted to 350,000 tons.

The Potato Union, through its extensive activity, was able to be of great service to the Russian people. Besides the output of starch, it was able to meet the sugar crisis. Russia was always using beet sugar and importing cane sugar for universal use. But due to the blockade there was no possibility of importing that article. At the same time, the beet sugar industry was disorganized during the war period. The Potato Union, therefore, established in the province of Kostroma a factory producing crystalline molasses sugar. This was a unique venture in Russia and the method adopted was that

<sup>13</sup> "Potato Union," *The Russian Co-operator*, Oct., 1919, p. 154.

of a Russian scholar, Professor Shustov. This sugar, combined with fruit juice, was to be used for the production of sweets. During 1918 the output of this sugar reached ten tons a day.

The Potato Union, in accord with the general policy governing the entire Russian co-operative movement, organized its administration into various highly specialized branches, such as trading, agronomic, and technical departments. Besides employing numerous highly skilled technical experts who advised, instructed, supervised, and set up its co-operative branches, the union maintained numerous experimental stations dealing with problems involved in the field of potato raising. The government showed its approval of the union's activity in numerous instances, not only giving financial support, but by turning over numerous works entirely to the union. The Potato Union was on friendly terms with other central organizations, being represented through its own delegates at the sessions of the All-Russian Co-operative Congress.

Another large union which was organized on a national scale by the Moscow Narodny Bank was the All-Russian Purchasing Union of Agricultural Co-operatives. Though it was organized in June, 1918, its first meeting was held in December of that year. Organized on the same basis as the Centro-Soyuz, but involving only the agricultural co-operatives, this new body became known by its abbreviated name, "Selsko-Soyuz."

There was a direct need for such an organization, in view of the fact that the co-operatives engaged in agriculture were always complaining that they never received a square deal from the Centro-Soyuz. In a way, the Centro-Soyuz represented only consumers' unions, and through its mixed unions and local distributive stores touched upon agricultural co-operatives only in a small measure. These felt that they were not properly represented and that their own interests were overshadowed by the consumers' organizations which represented the city folks. There was a feeling that the Centro-Soyuz and its affiliated unions and locals tried to get as much as possible from the rural co-operatives without giving them much in return. It was impossible to solve this jealousy, no

matter how well founded, without establishing a separate body, and in this way the plan of the Moscow Narodny Bank to establish the Selsko-Soyuz was met with a wide enthusiasm throughout the country.

The general program adopted by the Selsko-Soyuz at its meeting in 1918 was stated as threefold:

- (1) To unify all co-operative organizations engaged in production, treatment, sale, and purchase of agricultural products.
- (2) To make joint purchases of all kinds of implements and materials required in various agricultural processes, and,
- (3) To organize joint sales, storage, and transportation of agricultural produce.

Seventeen unions joined as charter members. The Moscow Narodny Bank handed over to the Selsko-Soyuz 37,700,000 rubles' worth of goods, ten millions of which never reached the new union, as, due to the civil strife and disorganization of transportation, they were lost in transport from Siberia.

Practically about the same time as the creation of the Selsko-Soyuz there arose a central union of hemp growers. The Moscow Narodny Bank assisted the formation of this large co-operative body by taking up 250,000 rubles' worth of shares and giving the new union a solid credit in the bank. Eighteen provincial unions joined at once, and four months later twelve more unions applied for membership and were admitted. Besides the raw hemp the union also handled various goods made of hemp, such as twine, cord, and rope. These products for 1918 amounted to 12,000,000 rubles' worth, this being about one quarter of the entire hemp production in Russia. A few months after the creation of the Central Co-operative Union of Hemp Growers there was created also a "Central Union for the Sale of Poultry Farm Products," commonly known as "Co-operative Egg." It was founded in August, 1918, but its actual operations did not start until January of the following year. Its charter membership included fifteen large local unions. The Central Co-operative Egg Union was to control the egg market and deal in all the

problems connected with poultry raising. It was organized on the same technical basis as the other central unions.

The last, but not the least, of all co-operative agricultural unions established by the Moscow Narodny Bank, was the Central Union of Co-operative Societies, engaged in the production of grain, better known as "Co-operative Grain." The process of launching this new organization involved numerous difficulties for the co-operators as well as for the government. The first experience which the co-operators gained along the line of united effort to carry on the sale of grain was during the World War. At that time the credit co-operative unions, which for some time past were supplying peasants with money, seeds, and machinery, were called upon by the government to act as intermediary agencies to collect grain and supply it to the army. In 1916 these societies were able to supply the soldiers at the front with two and one half million tons of corn. Such experience was of great value to the co-operators, and thus originated the great idea of an All-Russian Central Grain Association.

The Moscow Narodny Bank, keenly alive to the great possibilities involved in such a scheme, was instrumental in forming a commission of co-operators to study this question, and drew up the necessary plans. This commission was appointed early in the spring of 1918, and, having worked out the draft for the new organization in the summer of that year, called a meeting of representatives of local organizations which bought and sold grain. During the war the credit unions took an active part in this work and it was decided that, while the local organizations were to be present at this first meeting, the new organization was to be based upon unions or local societies whose size approached that of an average union. A special provisional bureau was formed to take charge of the immediate arrangements. There was a considerable delay on the part of the government before the articles of association were duly approved. This hesitation was due to the manifest monopoly which the new association proposed to establish. The articles were approved in December, 1918, and during that month the inaugural meeting of the shareholders took place. The chief object of the new organization was to "pro-

vide a center for co-ordinating co-operative activities in the purchase, sale, storage, transporting, and treatment of grain, seeds, and other grain products, both for home and export trade, and generally to promote the progress of this branch of agricultural pursuits."

From the very beginning the new union had to work under several difficulties. The civil war was actively carried on in several provinces which were covered by this central union. Some of the depots thus changed hands several times and so injured the progress of the work. For instance, though the union was given permission to operate in the following provinces: Kursk, Voronez, Tambov, Saratov, Samara, Simbirsk, Pensa, Kazan, Viatka, Tula, Riazan, Orenburg, and Kharkov, several of these passed outside the control of the unions in accordance with the swaying military position.

Under such great difficulties, it is almost unbelievable that during the first part of 1919 the co-operative societies handled about 300,000 tons of wheat, rye, oats, and other cereals. About twenty-five per cent of all grain collected went through the branches of the new union. In order to be able to do this, Co-operative Grain had to conclude an agreement with the People's Commissariat of Agriculture. Arrangements were made allowing the union to use to the full the machinery of co-operation for the collection of grain from the peasants. This business compact between the union and the central government made it possible for the union to stand guard over the interests of co-operation. More than once the union succeeded in getting the central authorities to recall some acts of the local agents encroaching upon the work of the co-operatives.

The Co-operative Grain was able to carry on its activities in spite of adverse circumstances. It helped to preserve the stability and integrity of the co-operative movement within its own sphere of activity. Beyond all this, it showed that the idea of a central organization for handling grain, so long mooted by the co-operators, achieved, in spite of all difficulties, a practical realization. Thus, the work begun by the co-operative societies during the World War went forward, bringing

into shape the Co-operative Grain, a central union in which lay a pledge of fruitful progress and success.

While these new central associations, fostered by the Moscow Narodny Bank, grew in size and importance, the Central All-Russian Union of Flax Growers, organized in 1915, also increased its output and assumed new proportions. The following table indicates this growth during this period:<sup>14</sup>

Year.	Union of Societies.	Individual Societies.	Total Organizations.	Capital (in rubles).
July 1, 1917.....	37	135	172	186,353
July 1, 1918.....	58	150	208	2,379,248
Sept. 1, 1919.....	66	162	228	2,493,926

The total number of households involved in flax production during this period amounted to over 2,000,000. Comparatively speaking, these figures are not large, but one must remember that the collection of flax went on under a great many difficulties, due mainly to the war. Thus, in 1917, a part of the flax was requisitioned by the Germans so that the harvest in the hands of the Russians was lessened thereby. In an ordinary year 300,000 tons of flax was the normal export. The flax contributed by the co-operators in 1916 was about thirteen per cent. In 1917 it rose to twenty-six per cent, but in the following year the share contributed by the co-operators was more than three quarters of the total export. This gave the Russians a prominent place on the international market. It is interesting to know that in 1916 and 1917 co-operatives sold all flax destined for export to the French-British Flax Committee, which came to Russia for that purpose. In the following year this flax was sold at Archangel to the British War Office, which acted on behalf of all the allied countries. Through these transactions England secured sixty per cent, France twenty-five per cent, and America fifteen per cent of the whole consignment. The following year, in

<sup>14</sup> *The Russian Co-operator*, Nov., 1919, p. 166.



order to deal directly with foreign consumers of Russian flax, the central association opened offices in the large centers. The principal ones of these were established in New York, London, and Belfast.

The survey of agricultural co-operation during the first two years of the revolution gives a graphic picture of the rise of several large central organizations, each one taking care of some particular line of agricultural activity. None of these organizations were involved in the actual tillage of the soil. They rendered an efficient help to the peasants by financing their undertakings, introducing new machinery, teaching new methods of agronomy, and serving as intermediary agencies in collecting and disposing of their produce. While this assistance, carried on purely co-operative lines, was invaluable, yet this very subdivision and specialization divided co-operative forces. There was lack of co-ordination and numerous duplications of work, especially in purchases of seeds, machinery, and of other articles bought for the rural districts. The civil strife, also, and rapid changes of the political aspects of the country placed co-operatives in a precarious position. These facts, as well as the question of credit which was more easily obtained by a united front, influenced the co-operators engaged in agricultural trade to consolidate their activities. This they did by forming a Permanent Council of the United Agricultural Co-operation, or shortly, the "Selsko-Soviet."

This new organization was founded at Moscow in December, 1918. The inaugural meeting defined "Selsko-Soviet" on very broad lines. It was to be a non-trading association which was to serve agricultural co-operators as a guide and advisory body. The functions of the Selsko-Soviet were to be as follows:<sup>15</sup>

(1) To further the solidarity and unity of agricultural co-operation in all questions affecting home and foreign trade, transport, development of the industrial resources, the financial policy of the state, etc.

(2) To examine and settle all problems arising in the life of agricultural co-operation.

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<sup>15</sup> P. Maslov, "The Consolidation of Agricultural Co-operatives in Russia," *The Russian Co-operator*, Oct., 1919, p. 149.

(3) To represent and protect the legal interests and needs of agricultural co-operation.

(4) To gather and publish information bearing on the work of agricultural co-operation; to carry out all kinds of investigations and to publish periodicals and other publications.

(5) To convoke congresses of agricultural co-operative societies.

(6) To organize lectures, courses, schools, exhibitions, etc.

(7) To offer legal advice and assistance to its members.

(8) To instruct and advise on all questions pertaining to agricultural co-operation.

In order to carry on this work successfully, the Selsko-Soviet was divided into various departments, such as administrative-legal section, organizing section, economic section, propaganda section, etc. The structure of the new organization was along the same lines as those of other co-operative bodies, except for the fact that it remained a non-trading association. One half of the members of the Selsko-Soviet were elected by the general meeting of the Selsko-Soyuz, the other half being appointed by other central agricultural societies. Practically all the leading workers of agricultural co-operation were elected to this new body, thus giving justifiable hopes of its ability to promote the progress of the general co-operative movement and of Russian agriculture.

#### GROWTH OF INDUSTRIAL CO-OPERATION

Thus with the fall of autocracy there came an immense expansion of co-operative activity in the rural communes. These operations were carried on not only among the peasants engaged in purely agricultural pursuits, but also among those peasants who were involved in various branches of kустar industry. Though the early attempts to develop co-operative principles among the kустar artels were unsuccessful, co-operative propaganda carried on during the war period produced better results. Inasmuch as the World War, the Revolution, and the subsequent blockade isolated Russia from Western Europe, the home industries assumed new economic importance. Co-operative credit unions financed formation of new

kustar artels and gradually reintroduced co-operative principles into the home industries. The number of peasants participating in the kustar industry increased yearly, until in 1920 it involved over twelve million peasants. Among the types of kustar artels which became prominent were those engaged in manufacturing leather and felt boots and also bast (hemp) shoes. Practically the entire country was shod exclusively by the kustars. Furniture, utensils, household articles, and cloth were also supplied through the same source.

In view of the general disorganization of factories and the impossibility of import, the output of kustar industries was of great value and assistance to Russia. Every opportunity was given to increase this output, and in order to facilitate purchases of materials and sales of manufactured articles, the kustars uniting into larger groups formed provincial unions. Finally, in August, 1918, the Russian kustars founded a national union under the title of The All-Russian Co-operative Association for Manufacturing and Marketing of Kustar Products, becoming better known as "Kustarsbyt." Fourteen unions joined at once, others followed suit, and by the end of the first year one hundred unions of kustar artels enrolled in the new organization. The Moscow Narodny Bank, being particularly interested in the Kustarsbyt, purchased 100,000 rubles' worth of shares. This national union of kustars organized establishments for the production of net knitting and cotton weaving. It also took the entire charge of purchasing raw materials and of marketing kustar wares. In this fashion during this period not only the consumers but also the producers organized national unions under the leadership of which the co-operative movement assumed new economic importance.

#### CO-OPERATION IN SIBERIA

While the Russian co-operators, confronted as they were with the necessity of properly gauging their objects and aims, safeguarding the needs and interests of their country, were attempting to centralize and co-ordinate their hitherto individual efforts, their Siberian brethren were also working along the same line and achieving similar success. The Russian

Revolution came as a welcome message to the Siberian co-operators. They rightfully hoped that the official supervision, with all its evil effects upon the co-operative movement, would now disappear, and under the régime a new era in the co-operative field would arise. Nothing stood in the way now of centralization and of establishing closer and closer relations between the various locals and the central organizations. Besides, nothing stood in the way of going into new fields of production, now that official supervision, which required close inspection of the articles of association and special permits, was gone. Also, the new régime dealt a deathblow to the private enterprises, and cleared the field for an extensive co-operative movement. Nor were the co-operators slow to take advantage of the new opportunities, both in the field of new enterprises and in the centralization of their movement.

An observer of this growth is amazed to notice, first of all, the number of new undertakings and their variety. This tendency had its beginning during the war, and the subsequent revolution and the blockade only intensified the need and desire for new ventures of all types on the part of co-operators. In response to the pressing needs of the country there came a prompt response, but there was no plan back of it and the new ventures were of a scattered type. Many had but a mushroom growth because lack of material at times killed the industry before it reached any definite proportions. Still, out of some one hundred and fifty new industrial ventures started in the two years following the revolution, only ten were liquidated during that time. This indicates a healthy growth of the industrial life, handicapped though it was by the results of the war and the blockade. But even the most successful industries of this period bore unmistakable characteristics of this epoch. Born amidst political upheavals and transformations, hampered on one side by the economic disorganization of the country, and on the other side called upon to adopt new forms of political ideals, the co-operative movement of Siberia showed a brave attempt of a constructive though ununified venture into new fields of industry and commerce.

## 170 CO-OPERATIVE MOVEMENT IN RUSSIA

Keeping these items in mind, one is amazed at the actual results of this period. In the Union of Siberian creameries we notice an immense growth of their operations. The following table of facts indicates this growth:<sup>16</sup>

Year.	Turnover.	No. of Creameries.	No. of Stores.
1917 . . . . .	160,367,000	1,410	1,167
1918 . . . . .	218,056,000	2,047	2,310

During the same period there was also an increase in the various activities conducted by this association. These were as tabulated below:<sup>17</sup>

Year.	Value of Supplies Given by Union for Creameries in Rubles.	Butter Collected from Creameries (in Poods).	Value of Goods Sold Through Distributive Stores Belonging to Union.
1917 .	2,049,000	957,319	<i>Rubles.</i> 25,033,000
1918	4,056,000	1,782,983	121,211,000

Early in 1917 the Union of Siberian Creameries started to accept deposits from its own members, also to underwrite insurance of butter and merchandise. Industrial works owned and operated by the union, besides the creameries, included soap works, machine shops, flour mills, rope works, and printing establishments. This association issued two magazines and several newspapers. It also established special schools

<sup>16</sup> Prof. G. G. Shvittau, "Russian Co-operators on the International Market," p. 63.

<sup>17</sup> F. E. Lee, "The Russian Co-operative Movement," p. 14.

for training members in butter making, bookkeeping, and store work.

This tendency of co-operatives to own and operate various industrial works seems to have been the leading feature of Siberian co-operation during this period. By the end of 1918, one hundred and thirty-two new industrial ventures, recorded as established since 1917, were in operation and putting out a considerable output. Many of these, originally private enterprises, were bought and reconstructed by the co-operatives. Practically all of these new undertakings were either set up by the Zakupsbyt itself or by the unions affiliated with and encouraged by the same. Fifty-nine per cent of co-operative concerns were centralized in Western Siberia, and the articles produced showed the nature and exigencies of the time. About half of the concerns were engaged in treating animal products—leather works, soap and boot factories predominating. Connected with the soap factories were also factories making by-products such as glue, tallow, candles, and glycerine. Then there developed sausage factories, factories for treating intestines and fish curing and conserving establishments. Thirty establishments were engaged in treating vegetable products: such were flour mills, oil seed crushing works, yeast works, etc. Metal works were also chiefly used for repairing old broken-down machinery or for making simple utensils, axes, and hammers. Some of the brick works attained a considerable size. The same can be said of the cheese and butter concerns which during this time assumed enormous proportions. In order to publish the co-operative newspapers and periodicals they were obliged to own printing works, the number of these increasing to seventeen. Besides several candy factories, there were several miscellaneous shops, such as hat factories, and others.

In order to operate all these factories, scattered as they were, there was need of a special staff of instructors and bookkeepers. While some of the unions employed these on their own accord, there was a steady tendency to centralize this necessary supervision by turning over this work to the Zakupsbyt. The total number of this necessary staff was seventy-

three, of whom twenty-two were technical experts and twenty-three accountants, while the remaining twenty-eight were engaged in an ordinary clerical capacity. The total administrative staff (besides the ones mentioned above) consisted of two hundred and sixty-eight men, which averaged two men a factory, or nine men a union. Seventy-seven per cent of the people employed in the factories were men, the total number of the same being 3,399. The total number of all the workers as given for August, 1919, was quite considerable: 4,414, but almost half of these were employed in concerns treating animal products.

The turnover of these industrial co-operative establishments was large, and though exact figures are not available, they are estimated to be about 113,000,000 rubles, or 856,000 rubles a concern. The Zakupsbyt alone controlled fifty-two per cent of this turnover. While these figures are rather large, one must not forget that the value of the Russian ruble suffered a steady depreciation. Moreover, one must not forget the size of the country for which these figures are given. Their size is therefore not as large as should be expected from so vast a territory. However, on the other hand, one is likely to be surprised at the size of these figures, considering the terrible conditions under which these co-operators ventured into new fields of industry. The scarcity of raw material, the impossibility of acquiring new machinery, the disorganization of transportation, the civil war, the presence of foreign soldiers—all this prevented the plucky co-operators from developing their enterprises on a larger and more scientific scale.

The strength of the Zakupsbyt is also indicated by the growth of its affiliations. In 1919 it reached thirty-four unions which comprised 10,500 separate consumers' societies, creameries' and fisheries' associations and credit unions and various industrial artels in Ural, Siberia, and the Far East. While the Zakupsbyt was spreading its activity into manufacturing various products, it in no way neglected its original functions of selling and buying for the Siberian consumers' societies. This department was steadily increasing in its activities and

this led to numerous new branches and agencies in Siberia, Russia proper, and Western Europe. By the end of 1919 offices were established at the following places: Irkutsk, Blagovyeshtchensk, Vladivostok, Harbin, Nikolaevsk-on-Amur, Moscow, Ekaterinburg, Petrograd, and Nijni-Novgorod, also at Samarkand in Turkestan. European offices were maintained in London and Stockholm. There was also one in New York, Shanghai, and Kobe. The main office still remained in Novonikolaevsk, where it closely co-operated with the Siberian branch of the Moscow Narodny Bank. Besides the trade in butter, which alone amounted to 41,300 tons in 1918, the Zakupsbyt collected and sold raw materials such as fats, eggs, cheese, honey, wax, wool, flax, hair, feathers, leather, bristles, furs, and so forth. This organization purchased, on behalf of the Siberian co-operators, necessary machinery and manufactured goods which were lacking in their own country.

There was still another service which this organization was able to render to Siberia. The Zakupsbyt became interested in the native tribes which roamed in a nomadic fashion through the cold Siberian tundras. They hunted and fished and sold their catch to speculators who robbed and exploited them. The fur business brought speculators from all over the world, and up to the Revolution it was practically controlled by private capital. At this period, however, waging fight with capitalism as such, and seeing their ancient enemy worsted in many ways, the co-operators, under the leadership of the Zakupsbyt, decided to introduce the idealogy of co-operation to the half-civilized tribes of Siberia. In order to do so, native artels of hunters were formed. These united under the banner of the Zakupsbyt. An immense amount of energy had to be expended, but so vital was the principle applied that in a very short time the success of the new undertaking was assured. Instead of the highway robbery exercised in previous years, by which the middleman secured from three hundred to five hundred per cent of profit for himself, the natives began receiving ninety per cent of the real value of their furs. In former years, the middleman never paid in cash, but gave in



exchange to the natives articles of food, clothing, etc. Since the natives were accustomed to this mode of transaction, though they had been the losers by it, the co-operators also began selling to them things of primary necessity such as matches, butter, flour, and so forth. Being able to supply the natives at much lower rates than the private speculators and by paying ninety per cent of the furs' value, the co-operators achieved success not only for themselves, but for the natives. And coupled with the idea of co-operation was that of prosperity and a higher standard of living. The turnover of this trade with the natives amounted to 233,360,693 rubles during 1918, but the following year this figure reached 424,000,000 rubles. Influenced by this tremendous success, the Zakupsbyt organized the first native co-operative union, thus taking a step forward toward centralizing the trade with the natives of Siberia.

In order to be able to carry on its various enterprises, the Zakupsbyt was of course obliged to seek credit in various banks, co-operative and otherwise. The resources of the Zakupsbyt were as follows:<sup>18</sup>

## CAPITAL OWNED BY THE ZAKUPSBYT, 1917-1919

	Capital Owned on Jan. 1, 1918 (in Rubles).	Capital Owned on Jan. 1, 1919 (in Rubles).
Share Capital. ....	844,949	19,704,451
Reserve Capital. ....	558,637	1,297,068
Working Capital . . .	361,672	390,586
Industrial Capital . . .	401,656	1,334,952
Amortization Capital. ....		136,671
Insurance Capital . . .		27,549
Extra Funds . . . . .	204	37,706
Total . . . . .	2,167,118	22,928,983

<sup>18</sup> Prof. G. G. Shvittau, "Russian Co-operators on the International Market," p. 138.

## CAPITAL PRODUCED BY LOANS, 1917-1919

Capital in Rubles.	Jan. 1, 1918.	Jan. 1, 1919.
Capital of Deposits and Loans.....	14,052	198,000
Advances made by the Unions .....	347,204	25,527,238
Credit with the Moscow Narodny Bank...	7,787,818	40,594,273
Credit with other Institutions.....	923,958	71,870,328
Total.....	9,073,032	138,189,839

The grand total of the capital at the disposal of the Zakupsbyt must be accepted with reservations in view of the severe depreciation of the Russian ruble. But even taking this into consideration, the increase in the turnover of the Zakupsbyt is quite impressive. Besides this expansion in the commercial sphere, the Zakupsbyt also showed a decided increase of the non-trading activities. These were under the direction of the Secretarial Department, which was subdivided into sections, each taking part of a certain line and specializing therein. There were three main sections: (1) Section of "Instructors"; (2) Publicity Bureau, and (3) Bureau of Education. The joint council of these sections served as the guiding light of the co-operative movement in Siberia.

The instructors' division of the Secretarial Department was organized in May, 1918. It was to be composed of men especially trained for teaching bookkeeping and other technicalities involved in the efficient conduct of business. Any union affiliated with the Zakupsbyt could call upon this department for help. It was the task of these instructors to arrange courses of study, to send out lecturers and agitators in order to foster the progress of co-operation, and to organize such conferences as would particularly benefit the co-operators.

While the instructors carried on their work from the platform, the Publicity Bureau was doing the same thing through the newspapers and periodicals which it was its special task to issue. Originally the staff of experts of this section was very small, but within one year, such was the increase in the

activities of this department, it was necessary to enlarge this department to four times its original size. Besides issuing various periodicals, this bureau supplied all the affiliated unions with stationery necessary for the office work.

The third section of the Secretarial Department was called the Educational Section. It was formed in October, 1918. Its main object was to take charge of educational enterprises such as libraries, bookshops, and schools. During the first fifteen months (January 1, 1918–April 1, 1919) this section spent 100,000 rubles for educational purposes. The following items indicate some of the large expenditures:

Expenditures.	Amount in Rubles.
Aid to the People's University of Irkutsk . . . . .	20,000
Aid to the Russian Musical Society of Tobolsk . . . . .	2,000
Aid to the Evening classes of Tomsk . . . . .	3,000
Aid to various societies for publications and educational work . . . . .	29,000
Aid toward expenses of Council of All-Siberian co-operative congresses . . . . .	25,000
Pianos purchased for educational purposes . . . . .	9,000

Besides making these large donations, the educational section took charge of organizing a central bookshop. During the first eight months some 70,000 volumes were sold. The Zakupsbyt library was organized in 1917 when 450 books were acquired and 20 periodicals were subscribed for. The following year the total amount of books recorded was 625; a year later this number increased to 1,300 volumes; and finally, in May, 1920, there were 3,700 volumes listed altogether. Besides these books the records show that the library subscribed to 25 periodicals and to an equal number of newspapers.

While the Zakupsbyt grew in strength and popularity, the credit co-operatives also enlarged their activities. The Credit Association of Siberia differed in no way from the similar associations of European Russia so far as concerns the general

make-up and policy. Local organizations were made up of farmers who were financed on a co-operative basis by the unions. While supplying the locals with money, machinery, seeds, and fertilizers, the credit societies and unions collected flax, fiber, skins, and other raw materials and served as intermediary agencies between the peasants and the manufacturers. Eventually during the war period, these credit societies followed the example of the rest of the co-operatives and established various kinds of industrial enterprises. The tendency to centralize, which was so pronounced in Russia, manifested itself in Siberia also. In July, 1917, in order to facilitate their operations, the credit associations decided to form a large central union. This was accomplished and the new organization became known as the Sincered-Soyuz. It was composed of sixteen unions, with a joint stock of 1,000,000 rubles. There were at that time 1,337 credit associations which were combined in twenty-two unions. Consequently, the new organization, having involved sixteen of these unions, secured the moral support of more than three fourths of all Siberian credit co-operative societies. The Sincered-Soyuz from the very beginning sharply differentiated itself from the other large Siberian central organizations. Though the youngest in the field of co-operative activity, the Sincered-Soyuz was able to be of great assistance to the co-operators. On the one hand, it had large funds at its disposal, and on the other, it was able to conduct foreign trade for the Siberian credit unions. During the first year of its activity, the Sincered-Soyuz was able to export grain, meat, flax, hides, and bristles. It bought for its members iron goods in the Urals amounting to over 20,000,000 rubles. Several large orders for implements and repair parts were placed also in America. The assets of the Sincered-Soyuz at the end of 1918 amounted to 52,000,000 rubles. This centralization produced the much-needed unity for agricultural enterprises, which up to then lacked co-ordination of general aims.

The Siberian credit co-operative associations were always assisted by the government. Such assistance, however, was in no way adequate and there was a steady growth of loans derived from the private banks in general and from the Mos-

cow Narodny Bank in particular. Similarly to the other co-operative organizations of this period, the Moscow Narodny Bank secured a larger field of activity in Siberia. Besides the branch at Novonikolaevsk, the history of which has been previously discussed, several new agencies were established in other parts of Siberia. One of these was opened in Chita March 25, 1917. During the same year three other agencies were opened at Vladivostok, Harbin, and Omsk, respectively. The most important feature of these agencies was that the credit supplied by them was given on a large scale. Thus, according to the records of June 1, 1917, the indebtedness of co-operators through the Chita agency (which only operated two months) amounted to the following figures: credit given to consumers' associations amounted to 6,664,000 rubles; whereas the indebtedness of credit societies amounted to 23,000 rubles.

The popularity of the bank also reflected in the sale of shares. Though at first purchased so as to be entitled to the bank's services, within a short time this attitude was changed. At first the amount of shares held in Siberia was very small. Thus of the first two issues of 8,000 shares, only 672 shares were held in Siberia, and the distribution was as follows:

Co-operatives.	No. of Shares.
Consumers' Societies . . . . .	229
Credit Societies . . . . .	227
Creamery Associations . . . . .	202
Other Societies . . . . .	14
<b>Total . . . . .</b>	<b>672</b>

These figures underwent a radical change when the Moscow Narodny Bank opened its various branches in Siberia. By the time the third issue of shares was launched, Siberian co-operators were ready to support the bank on a large scale. This time out of the 8,000 shares issued by the bank, Siberia purchased 1,335 shares. It is interesting to notice that though

originally starting more or less evenly, the consumers' associations purchased now more shares than any other group of co-operators. This was also true of the other issues of shares. The credit societies became shareholders because they wanted to control a certain amount of votes. The butter-making artels as well as the consumers' associations were genuinely interested in the welfare of the bank. There was still another difference between the mode of purchases of these shares. The credit co-operatives purchased them individually without any special scheme for their joint holdings; whereas, the other co-operatives followed a well-laid-out plan. The butter-making artels purchased the shares through their central union, the Union of Siberian Creameries. This union retained the majority of the shares, the rest being divided evenly between the artels and their unions. The consumers' societies went one step further: they opened a subscription list and invited all the locals to subscribe freely, being guided only by those special regulations which were attached to these issues. This scheme was the most normal way of obtaining a democratic distribution, and resulted in a closer touch between the Siberian co-operators and the Moscow Narodny Bank.

With the wider scope of activities, there came the need of a greater unity of the entire co-operative movement in Siberia. This general feeling was expressed at the All-Siberian Co-operative Congress, which took place in Omsk and which was attended by delegates from forty-seven co-operative unions and associations representing some 5,000 affiliated locals. However, though the sentiment of the delegates was strongly in favor of the formation of an All-Siberian Union of all co-operatives, yet they felt that this amalgamation, desirable as it was, could not be accomplished all at once. The congress agreed to create a permanent council of the All-Siberian Congresses whose duty it was to be to effect this further unity of the co-operative movement. It was suggested to accomplish this project of amalgamation by creating local unions embracing the branches of the creamery associations and the district unions affiliated with the Zakupsbyt; the local unions thus formed to amalgamate further

into one All-Siberian Association of Co-operative Unions. This council was created in December, 1917, and in its general functions corresponded to the similar council created by the Moscow Congress of Co-operatives of European Russia.

Similarly to their Russian brethren, the Siberian co-operators became involved in political discussions. Leading co-operatives passed strongly worded resolutions protesting against the overthrow of the provisional government of Kerensky, and demanding the speedy convocation of the Constituent Assembly. The Brest-Litovsk Peace Treaty also produced indignation among the Siberian co-operators, but a uniform stand was not taken by them as a whole. In fact, the co-operative congress, meeting in the first days of January, 1918, adopted the following resolution:

"Considering that co-operation belongs to the sphere of economics, and that till recently it was neutral on all political questions, and that the attempt of the Russian co-operators to have an independent platform and candidates for the Constituent Assembly resulted in a fiasco, and that this attempt brought about a split in the ranks of the co-operators, and considering that any split is detrimental to the progress of co-operation, the Political Section of the All-Siberian Congress of Co-operatives resolved that it should not participate as a separate political body in the elections for the Siberian Constituent Assembly."

A few months later another All-Siberian Congress, meeting at Omsk in the last days of August, decided not to allow any political discussions, since there was no unity of opinion among the co-operators, and that it was best to avoid any possible resolutions on political questions of the day, since they would tend to produce a further division among the members. Notwithstanding this desire to ignore political issues, later events forced the co-operators as individuals to support various political parties. Eventually, in spite of all resolutions, Siberian co-operators found themselves in the midst of the political turmoil.

The above graphic picture indicates a great similarity in the development of Siberian and Russian Co-operation. Out-

side of political issues in which they became involved, they have achieved a decided economic progress. In spite of the last stages of the World War, in spite of the Revolution and the unfortunate civil strife and the blockade, co-operators of Russia and Siberia assumed new dignity and new responsibility. "Centralization" became the watchword. Numerous projects so long mooted by the co-operators were now successfully realized. Their scope of activity increased to such an extent that the Russian co-operators were placed in the foremost ranks of the co-operative movement of the world. And then at the zenith of the new power, the co-operators came into conflict with the Soviet régime; they were forced to give up their independence, and became a vital but subservient part of the Bolshevik machinery of a communistic state.



## CHAPTER VI

### BOLSHEVIST RÉGIME AND THE CO-OPERATIVE MOVEMENT

The rapid growth of the co-operative movement which took place during 1917 and 1918 presented a striking anomaly to the political and economic aims of the Bolsheviki. It was due only to the exigencies of war time, the blockade, and the civil strife that the Bolsheviki were unable to correlate the co-operative movement with the new social order. The war being over and feeling politically more secure, the Soviet Government began introducing such economic changes as tended to cripple the independence of the co-operators. From the point of view of the Bolsheviki, as long as they were bound to introduce Communism, there could be no halfway toleration of the co-operatives, bearing, as they did, the unmistakable marks of capitalism.

Originally co-operation was introduced into the economy of the world in order to secure for the indigent classes some benefits from their labor. In the capitalistic system the co-operatives were not only of great economic but also of great social importance. They brought definite economic advantages to their members. They waged a constructive war against the capitalists. But this struggle was first of all conditioned by the competition inherent in the system they opposed. Thus having accepted the leading principles of their opponent, the co-operatives primarily were capitalistic institutions. At times, they not only competed with capitalists but with each other, this being the result of the competitive struggle for existence upon which they based all their activities. In order to avoid this injurious competition with each other, and in order to make a stronger stand against all monopolies, the co-operators were bound in the end to com-

bine and co-ordinate their individual societies into several large central unions. This they did at the first opportune moment. During the first year of the Bolshevik Revolution, while the Soviets were struggling to establish themselves on a firm footing, the co-operators rendered splendid help to Soviet Russia through their united front against capitalists. A direct result of such activities was reflected, on one hand, in a victorious growth of co-operatives, and on the other hand with the inevitable opposition to them by the Soviet Government. The co-operatives, represented by their large central unions, having secured a splendid victory over their arch-enemy, capital, became, due to this victory, capitalists themselves. The clash between co-operative capitalism and the Bolshevik régime was bound to come.

The Bolsheviks, standing for direct action, began nationalizing the state and its various economic resources. They planned to socialize every factory in the country. The co-operators owned large factories, plants, and works of all kinds. While other industries were being nationalized it was absurd to presuppose that the factories in which hundreds of workers toiled would be left undisturbed because they were owned not by a single person but by a selected group of people. But this is just what the co-operators did presuppose, and, amidst the general upheaval, remained, as formerly, individualistic enterprises of a commercial nature. Possibly they expected that the Bolsheviks would not last long. They were not alone in this expectation: not only the routed capitalists expected their downfall, but even the most learned and wise politicians of the foreign powers were of the same opinion. But the Bolsheviks came to stay. They were bound to go on with their big experiment of socialization, and inevitably a clash came between the co-operators and the Bolsheviks.

As early as November 7, 1917, the first land decree was introduced. Two months later, or to be more exact, January 27, 1918, another decree followed abolishing the rights of private ownership of land. In reality, however, these decrees left the private use of land to the peasants themselves. Even in the National Land Reserve, created from the expropriated lands of the nobility, of the Appanages, of the

monasteries, and of the churches, and comprising in the twenty-two provinces of the Soviet territory of 1918 a total area of 15,800,000 dessiatins, some 12,800,000 dessiatins of these were distributed among the individual households of the peasants. Though in no sense a socialization, it was a most necessary step in Russia, in order to solve the land problem and to secure the support of the peasants.

By canceling debts attached to former land holdings and by giving free use of land to the peasants, the government indirectly undermined the standard of those credit societies which helped the peasants to purchase land. Early in 1918, the government made the first attempt to socialize agriculture by organizing Soviet estates and agricultural communes. In order to help the peasants to form these, the law of November 2d of that year provided a money fund for one milliard rubles for loans to communes and similar agricultural enterprises. These loans were to be given without any extra charge or interest. Machinery and seed were also to be supplied on the same basis. In this way the government further undermined the work of credit and agricultural unions. However, due to many misunderstandings in the rural districts, and also due to the policy of the government, which (despite various accusations) decided not to force the peasants into immediately changing the old forms, the co-operatives still retained a strong foothold in the rural districts. The Russian moujik, ignorant and individualistic, was by nature slow in accepting new forms of agriculture, and being satisfied with the benefits offered by co-operative societies to which he had become accustomed, was in no hurry to withdraw from the co-operative movement.

In order to make it more urgent for the peasants to accept the new scheme of things, the government made another strategic move directed against the Moscow Narodny Bank. This bank, as has been shown previously, consolidated the entire credit co-operation which was the backbone of the agricultural districts. By attacking the position occupied by the bank, the Soviet Government attacked the systematic help rendered to the peasants. Once this was removed, the peasants would more willingly enter into the communistic scheme

of agriculture. This was the primary reason why the Bolsheviks adopted a series of decrees which crippled and finally annihilated the security and independence hitherto enjoyed by the bank. Another consideration which influenced these measures was the fact that the bank presented an anomaly to the new régime. The Moscow Narodny Bank was in touch not only with the indigent but also with the bourgeois classes, rendering help to co-operatives of all types; and becoming, in the end, a powerful institution closely connected with large industrial enterprises; and whose real estate alone amounted to 1,265,121 rubles. For these various reasons, and possibly further influenced by most unfounded rumors of the bank's dealings with counter-revolutionary forces, the Soviet Government assumed a hostile attitude toward it.

The position of the bank, even without the unfortunate mistrust of the government, was not at all secure. The bank was passing through a very critical time, due to the general disorganization of the war-ridden country. There was no regular postal communication, and this necessitated the dispatch of money by messengers who carried it in bags. This affected the regular communications between the home office and its branches. The scarcity of currency, coupled with the practical unacquaintance of the Russian people with the system of paying checks, greatly impeded all kinds of operations. At the same time the credit hitherto enjoyed by the Moscow Narodny Bank was cut off, because private banks with which it dealt before were nationalized, whereas the State Bank gave but a small amount of credit. In the meanwhile, depreciation of the ruble's value increased the difficulties of exchange. Besides everything else, the Goods Department stopped its operations, since the scarcity of commodities in the country and the blockade exercised by the allied powers made foreign trade an impossibility.

One other circumstance of an unforeseen nature made the position of the bank still more precarious. By the end of July, 1918, the amount of current accounts of the Moscow Narodny Bank reached the figure of 677,000,000 rubles, of which 500,000,000 rubles were on the books of the Moscow and Petrograd offices. The fatal feature of these deposits

was that the majority of them were made by all kinds of government institutions, food authorities, etc. Utilizing this fact, Krestinsky, Commissar of Finance, directed these depositors to withdraw their funds at once. Within one week more than 100,000,000 rubles were claimed by these institutions. The Moscow Narodny Bank was obliged to call in some of the outstanding loans and was able to meet this deliberate rush on the bank to the amount of 70,000,000 rubles.

While this was happening in Moscow and Petrograd, numerous difficulties beset the branches of the Moscow Narodny Bank in the south. There the attitude toward co-operation was very hostile, which affected the branches of the bank in Ukraine. The government of the Ukraine feared that, having increased their importance and power, having created their own bank and having combined thousands of societies, the co-operators might outgrow entirely the state control. Actuated by these considerations, the State Bank of Ukraine reduced the amount of credit previously given to the co-operators and insisted on the speedy repayment of outstanding obligations. In view of such an attitude, the southern co-operators were obliged to call upon the services of the Moscow Narodny Bank on a larger scale than formerly. The amount of loans advanced in Ukraine by this bank reached, by the middle of July, 64,000,000 rubles. But when the State Bank refused to advance credit to the Moscow Narodny Bank, in order to steer through the difficulties thus created, it was obliged to call on the co-operative societies for repayment. In two months some 28,000,000 rubles were thus refunded to the head office. Some of the large co-operative societies, misunderstanding the reasons for these recalls of credit, were offended thereby, and immediately withdrew their own funds deposited in the bank. Thus, in less than two months, 10,000,000 rubles were withdrawn by the depositors. Two other central credit organizations in the south, the Ukraine Bank and the Union Bank, which were largely supported by the Moscow Narodny Bank, were called upon to repay some of their loans. They were forced, therefore, to call upon their depositors—in short, a general financial panic resulted in the south.

In the meantime the government attacked the position of

the Moscow Narodny Bank still further by a decree prohibiting all government bodies from keeping their own funds, or the funds of the nationalized industries, in private banks. By the time this decree was issued, practically all private banks had disappeared, and thus this decree was applied and directed against co-operative banks only, the object being to force the bank to suspend payments and create panic among its remaining clients. However, the bank was able to parry this blow also, and, calling upon the support of all co-operative organizations, was able to meet even this difficulty. As much as 250,000,000 rubles were paid out by the end of September.

Not being able to force the bank to declare bankruptcy, the Ministry of Finance invited the board of the bank to a financial conference which was held October 15th. At this meeting representatives of the government explained to the co-operators that the Ministry of Finance proposed to nationalize the Moscow Narodny Bank and transform it into the co-operative section of the People's Bank of the Soviet Republic. The board replied that this question should be referred to the general meeting of shareholders, to which proposal the government consented.

A month later this general meeting took place and was attended by about 1,500 delegates, and some government officials. The meeting was very stormy, the discussion of the momentous question of nationalization lasted three days, and the meeting recorded its unqualified opposition to the nationalization scheme. But in order, in some way, to meet the exigencies of the situation, the shareholders voted to transform this bank into the Central Co-operative Credit Union of Russia, and to restrict the operations of this union only to those directly involved in the co-operative movement.

This decision did not meet with the approval of the Soviet Government, and on December 6th a decree appeared ordering nationalization of the Moscow Narodny Bank on approximately the following terms:<sup>1</sup>

(1) The Moscow Narodny Bank was to become the co-oper-

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<sup>1</sup> J. V. Bubnoff, "The Nationalization of the Moscow Narodny Bank," *The Russian Co-operator*, Feb., 1919, p. 21.

ative section of the People's Bank of the Soviet Republic, and was to be controlled by the co-operative organizations which dealt with it.

(2) It retained the right of conducting business as formerly.

(3) It retained the right to appoint and dismiss the staff.

(4) The board was to be elected, but was to be approved by the central board of the People's Bank.

(5) All of the bank's operations connected with the discounting of bills and granting of credit were to be independent of the control of similar sections of the People's Bank.

(6) The shareholders became its creditors, a current account being opened for each of them to the amount representing the value of the shares held.

(7) All the existing branches of the bank were to remain and the bank had the right to open new branches.

All of the above provisions indicated that, in spite of the nationalization, the government granted important concessions to the co-operatives. In its own sphere, the bank practically remained independent and its operations were to be carried on without any interference from the outside. Morally, however, a heavy blow fell upon the entire co-operative movement. The sense of security and independence was gone and discouragement prevailed among the co-operators.

In the meanwhile the government introduced still further decrees which crippled agricultural co-operation. The early attempts of the Soviet Government to establish collectiveness of agriculture were to a large extent lacking in unity and in a strict elaboration of the entire scheme. To eliminate these defects of the land policy, the Bolsheviki convened an All-Russian Congress of the rural committees of peasants and of such agricultural communes as were already in existence. This congress met in December, 1918, and formulated the basis of socialistic land holdings. As a result of this came a decree on February 14, 1919, giving in detail the new agrarian law. This decree, known as "Decree on Socialistic Land Organization, and the Means of Transition to Socialistic Agriculture," was put into operation and remained in force up to the recent adaptation of the New Economic Policy. This decree defined and elaborated the territory and economy involved in the

"Soviet Estates" which were to be model agricultural enterprises, involving all sorts of experimental stations. It also provided for the establishment of Universal Land Communes, basing these upon a voluntary association of the rural producers on a foundation of communal land holdings, collective cultivation, and communal use of produced output.

This new land law dealt a deathblow to the agricultural co-operatives, not only because their help was no longer needed for purchases of land, implements, and seed grain, but because they could no longer collect, store, or dispose of the produce. The law of February 14, 1919, having provided for the formation of collective land holdings, also clearly provided for the output. A certain amount of the produce was to be used for the needs of the members of the communes; the surplus was to be delivered to the supply authorities of the Soviet Government, in exchange for loans, agricultural implements, artificial fertilizers, and other modes of compensation which were to be utilized for the improvement of the communal economy. The entire output of Soviet Russia thus became socialized, and the requisitions and food levy placed upon every peasant household made the existence of the agricultural co-operative societies unnecessary institutions. It must be remembered that outside of a few agricultural artels whose activity consisted mainly in agricultural production, the agricultural co-operatives had as their main activity intermediary operations. They stood between the village and the city and were engaged in collecting, sorting, storing, and selling raw materials of the village and bringing in return such manufactured goods as were needed in the rural districts. All the large unions which have been discussed before, such as the Hemp Growers, Flax Growers, the Union of Creameries, and so on, were never engaged in the direct production of these articles. They were engaged solely in collection and sale. The intermediary activities of these unions came as a response to the vital and necessary needs of the peasant. Although quite justifiable in their existence during the capitalistic régime, they were put out of business as soon as the Soviet Government took over the active part of collecting the produce. When the government declared a monopoly on flax, leather, wool,



and grain, and undertook the state distribution of agricultural machinery, the co-operatives found themselves at the very best only the agents of the government. Even their educational activity, previously so essential, was taken over by the government. Thus they found themselves under the Soviet régime, bound to accept an auxiliary part in the whole scheme, becoming entirely useless as independent organizations.

To sum up the entire situation of agricultural co-operation during 1919 and 1920, it is evident that so long as the Bolsheviks were bound to socialize the state, the collectiveness of the village had to proceed through the government and not through the agricultural co-operatives, for they lacked the necessary qualifications for this purpose. "First, as we have seen, their direct connection with agricultural toil and, in general, with the productive processes, was extremely weak. Secondly, there were organizations of separate groups of peasants whose interests would always be opposed to the general interests of the national economy as a whole. Thirdly, their intermediary activity was passing to state organs. Fourthly, their educational activity, in the presence of the extensive educational efforts of the Soviets, was losing its importance."<sup>2</sup> The process of collectiveness of the village could not be expressed in old forms as long as the government was bound to introduce Communism. Therefore, through the various decrees discussed above, the Bolsheviks forced the agricultural co-operatives to accept the new forms of social life and change themselves so as to be in harmony with the entire Soviet régime. The co-operators resented these measures and were unwilling to place themselves voluntarily at the disposal of the victorious Communists. The Bolsheviks, however, were bound to enforce these drastic measures, since the power and stability of the proletarian government could be maintained only through the control of production and consumption.

#### CONSUMERS' ORGANIZATIONS

Practically at the same time they were changing the aspect of the agricultural co-operation, the Communists introduced

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<sup>2</sup>V. Milyutin, "Agricultural Co-operation," *Soviet Russia*, July 24, 1920, p. 84.

new forms into the consumers' societies. Though the consumers' societies constituted strongholds of political reaction; though the spirit of the consumers' societies was that of the "Petit Bourgeois," yet the Soviet Government, needing their help, was bound to introduce slow changes and utilize the co-operatives for the benefit of all Russia. This was accomplished through the various decrees leading to final amalgamation of their old forms to the new forms of the Soviets, at the same time applying education and propaganda in order to overcome the conservative spirit and secure political priority. The following decrees, in their chronological order, were issued by the Council of the People's Commissars and ratified by the All-Russian Central Committee:

April 11, 1918.

A decree was issued regulating the consumers' co-operatives. From now on there were to be two consumers co-operative organizations within an area designated by the local Council of Workmen and Soldiers Deputies. One organization was to be the Labor Consumers' Society, while the other was to combine all other classes of that district under the title "All-Citizens Consumers' Society." Both of these societies were brought into the structure of the Soviet administration by the appointment of a special Commissar on the Board of Directors of these societies. Furthermore, special co-operative sections were formed of all local Soviets of Workmen and Peasants, Co-operative stores were named "Soviet Stores, or Mnogolavky." However, after five months of struggle, the commissars in the co-operative societies found themselves powerless, for in spite of this decree the old co-operative element controlled these sections.

April 22, 1918.

A decree was issued concerning organization of a Department of Co-operatives in place of combining that work with the Supreme Council of National Economy. Immediately after this decree, there came instructions for the organization of local departmental co-operatives, whose task was to enroll the consumers' co-operatives, to

supervise them, and to draw up instructions and drafts of laws for all co-operative organizations. Such departments, according to this decree, were to be established everywhere throughout Russia.

August 8, 1918.

A decree was issued which charged the consumers' organizations with the exchange of agricultural products for those of the industries. During the period elapsing between October 1, 1918, and July 1, 1919, there were turned over to the villages through the consumers' organizations, under the authorization of the Soviet Government, the following products: 107,141 plows; 17,186 harrows; 1,420 sowing machines; 479,000 scythes; 5,563 harvesting machines; 1,178 flails; 2,438 winnowing machines, and 56 locomotives.

September 26, 1918.

A decree issued on this date further elaborated the former decree of April 22, and made provisions for its enforcement.

All co-operatives were required to register. The penalty for non-registration was to be the loss of all rights as legal organizations. This section of the supreme council of national economy was to call conferences of co-operatives and discuss matters pertaining to national economy.

From the very first, these conferences represented not only workmen's groups of consumers, but bourgeoisie as well. Lenin, in speaking of these conferences and decrees, said as follows: "This is an agreement with the bourgeois co-operatives and with workmen's co-operatives adhering to the bourgeois standpoint. The compromise consists first of all in the fact that representatives of these institutions not only participated in the deliberation but practically obtained a decided control. Parts of the decrees which met a determined opposition from these institutions were rejected. The proposition of the Soviet Government to completely exclude the bourgeoisie from the administration of the co-operatives was considerably weakened and only owners of capitalistic, com-

mercial, and industrial enterprises were excluded from the administration."<sup>3</sup>

Lenin was very much against voluntary form of co-operation, and all the decrees of the Communists lead gradually to enforced enrollment and registration in the co-operatives. The few compromises that were granted were of a temporary nature. From a communistic point of view these compromises were to be regretted. Quoting Lenin from the same source as above, we find the following lines:<sup>3</sup> "If the proletariat, acting through the Soviets, would successfully establish accounting and control on a national scale, there would be no need for such compromises. Through the food departments of the Soviets and through their organs of supply, we would unite the population in one co-operative directed by the proletariat, without assistance from the bourgeois, and without concessions through the purely bourgeois which compels labor co-operatives to remain side by side with the bourgeois co-operatives instead of wholly subjecting these and uniting both."<sup>4</sup>

While the monopoly on grain seriously crippled the operations of the co-operatives, nevertheless, during the year 1918, the operations of the Centro-Soyuz, which still remained the central organization of consumers' societies, amounted to a large sum. During that year the Centro-Soyuz operated six grain agencies in the provinces of Tambov, Saratov, Samara, Ufa, Simbirsk, and Tchistopol. These agencies began their operations in the autumn of 1918, and in spite of the extreme difficulties attending their operations, succeeded in providing up to November of the same year more than 2,500 truckloads of grain. These figures indicate the efficiency of the service rendered by the co-operatives to the government. And again, another task given by the Bolsheviks to the Centro-Soyuz was also efficiently executed. From January, 1918, to December 1st of the same year, the amount of textiles delivered by the state textile authority to the Centro-Soyuz for further

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<sup>3</sup> N. Lenin and L. Trotsky, "The Proletarian Revolution in Russia," p. 386.

<sup>4</sup> *Ibid.*, p. 387.

distribution equaled in value 260,000,000 rubles. Possibly because of its efficiency, so clearly manifested by the Centro-Soyuz, the Bolsheviki, regretting as they did their compromises with a bourgeois institution, were bound none the less to retain the Centro-Soyuz. However, through the following decrees they further attempted to bring new changes into consumers' organizations. The following are the most important decrees given in a chronological order:

November 21, 1918.

A decree issued on this date established order in the nationalization of private commerce and in the distribution of commodities to the population through the intermediary of the Soviet stores and through the co-operatives. This decree made the co-operatives state distributing associations.

November 29, 1918.

In order to help the commissars who were to control the boards of co-operatives, according to the earlier decree of April, a new decree of November 29th provided that only persons entitled to vote at the Soviet elections could henceforth be entitled to vote at the elections of co-operative boards of directors. This measure assured a political support of the consumers' organizations. The Soviet Government felt that the time was ripe for further final measures and this was done through the famous decree issued March 20, 1919.

March 20, 1919.

A decree now issued on March 20th by the Council of the People's Commissars helped to realize the incorporation of all consumers' societies with the official proletarian institutions. Through this decree a "United Consumers' Society" was established.

March 20, 1919, marks the culmination of all previous matters and provides, through a decree issued on this date, a unified structure for the entire country. Russia was divided into small communes, but up to this date there were three

groups which were officially organs of distribution: (1) Organs of provisioning, (2) workers' co-operatives, and (3) co-operatives for the remaining population. All these drew products for distribution from the same source. To this date they were kept separate in order to increase and emphasize the workers' consumers' societies. These were even represented in the Centro-Soyuz by a special department called "Centro-Section." For a time even this department became a separate and independent body, but by the decree of March 20th, it was reunited with the Centro-Soyuz. All consumers' co-operatives were transformed into a single distributing apparatus, which was named "The United Consumers' Society," its single branches being called "Consumers' Communes." In other words, all subdivisions were eliminated and the Soviets gave supplies from the stores to the Consumers' Communes and these were to carry on distribution. These consumers' societies became locally known as the "Epo" from the initial letters of "Edinoe Potrebitelskoe Obshestvo," the meaning being, the United Consumers Society.

The communes thus covered by the "Epos" were composed of the entire population of the locality which had to be enrolled in their assigned offices of distribution. A number of such offices constituted an association of districts, and a number of these made up the departmental organizations. The alliances of various districts within a province received the name of "Gobosoyuz." At the head of all the Consumers' Communes and their provincial alliances came the Central Organization, the All-Russian Consumers' Association, or the Centro-Soyuz, still retaining its old title as it appears, but with an entirely new meaning. It was no longer a free organization; it had no longer power to have industrial enterprises, or to buy and sell independently. Its members on the governing body could be only those who were entitled to vote at the Soviet elections. Such was the new Centro-Soyuz of 1919 to 1921. It came under the direct supervision of the People's Commissariat for Provisioning. Nothing remained of the former independence of the consumers' organizations. The spirit of enterprise was gone and, with it, the stimulus for gain or for individual opportunity. But on the other hand,

this period of nationalization had a certain value to the co-operative movement. On one hand the enforced enrollment was a benefit to the people at large. This was especially true in view of the fact that the war, the blockade, and the civil strife resulted in a shortage of articles of consumption. Besides, this was a direct advertisement of co-operation: Instead of a few, the entire country could benefit by the United Consumers' Association. Although very unpopular at the time both with the old co-operators and with the people at large, it demonstrated, after all, its vital principles.

It took five months of a tremendous amount of work to have the decree of March 20th put into practice. A series of instructions and regulations were worked out by the Co-operative Commission connected with the People's Food Commissariat for the establishment of co-operative departments. It was necessary to organize the districts, to register population, to unite societies, and to issue local regulations. In some districts this union was very harmonious, whereas in others it was never accomplished entirely. This last is especially true in the case of Siberia and Ukraine. In these regions, due to the civil war and the distance from the headquarters, the work could not be accomplished either smoothly or entirely. But such central districts as Moscow, Petrograd, Riazan, Orlov, Kursk, Tver, and Vladimir were successful in forming at once units of Consumers' Communes.

In making a final transition from capitalism to communism, the government took over the assets of all the distributing stores, whether co-operative or not. The payments made by the former members of co-operative stores on their shares were returned to them. All employees of co-operative societies became civil servants. In examining various steps taken to unite these groups of consumers, we find that though presumably united into one group, not all were united on an equal basis. Autonomy was given to the so-called "government sections." These were comprised of units of factory works and town Consumers' Communes. The autonomy amounted to their direct power to distribute immediately and directly articles of food and of primary necessity among the workmen. In view of the nationalization of industries, this was possibly

unavoidable, as it simplified compensation of wage earners.

During the period of 1919, forty provincial unions completed their organization. The Centro-Soyuz definitely entered into relations with fifty-three provincial unions in Central Russia and twenty-six provincial unions in the Autonomous Soviet Republics and regions. Five hundred and sixty-seven district branches were united into sixty-five provincial unions. In fifty-six provinces the primary system comprised 20,000 multiple and single shops. In thirty provinces there were 23,191 distributing centers at work.

The nationalized forms of consumers' co-operation remained in force two years (March 20, 1919, to April 9, 1921). During this time several decrees reinforced the Consumers' Communes. Thus on January 27, 1920, a new decree added to the Consumers' Communes all forms of agricultural co-operative societies. Finally by the decree of April 19, 1920, the Consumers' Communes involved absolutely all forms of co-operative organizations. These organizations were merged into Consumers' Communes and subordinated to the latter. All these communes were state-controlled distributing organizations, maintained at the expense of the government, and in essence absolutely similar to all other departments of the Soviet Government.

At the head of the Centro-Soyuz was its newly elected board. It was elected by the delegates of the provincial unions, but since this body was practically all communistic, the board thus elected was wholly made up of Communists. The board was comprised of ten members, six of whom were officials in the Commissariat of Food Supply. In this manner a close personal union was established between the board of Centro-Soyuz and the Commissariat of Food Supply. Mr. Leshava was elected the first president of this new Centro-Soyuz and was succeeded in 1921 by Mr. L. Hinchuk, well known in Russia as a co-operator and as a Communist.

Hard as it was to overcome the opposition of the old co-operators, it was finally overcome by these numerous decrees, the principal ones of which we have described above. The Soviet power succeeded in utilizing the co-operative apparatus, but having transformed it into "Sovietized"



machinery of state, co-operation was deprived of the spirit of initiative and thus it became a typical bureaucratic mechanism. After it underwent all the changes demanded by the government, it became a "living corpse"; the body still remained but the spirit was gone.

"The tragedy of the 'new' Russian co-operation was not in the head, but in the foundation. The new co-operation was subject to the Ministry of Food (Narkomprod) with which it was personally connected, and this Narkomprod, in its turn, to the Central Executive Committee, and so on. For the direct organizing powers of the masses, for the declaration of its wishes there was no room. The population did not unite by means of shares into one whole economic unit, and did not join its personal business with collective property, but on the contrary, in the new construction with population was a party which did not concern itself, not could it take a more or less active part in what was taking place in the movement, but was kept away from direct participation. It was quite immaterial who was at the head of the apparatus. It was the basis which was important: the uniting of masses into collective bodies, and this basis unfortunately was destroyed." <sup>5</sup>

#### CO-OPERATION IN SIBERIA

While the co-operators in European Russia were obliged to co-ordinate their activities in accordance with the various decrees of the Soviet Government, the Siberian co-operators were also going through many difficult and rapid changes. Some of these experiences were due to the numerous changes of the government, for Siberia witnessed five changes of government within a little over a year. The Soviet power controlled Siberia from the Bolshevik Revolution in 1918 till June, 1918; then came the Provisional Siberian Government, lasting from June, 1918, to September, 1918; this was followed by a period of the All-Russian Provisional Government which lasted about two months, till November; then the Omsk Government of Admiral Kolchak was introduced;

<sup>5</sup> W. Braithwaite, "Results of the Decree of March 20th," *The Russian Co-operator*, Sept., 1920, pp. 120-121.

finally in May, 1919, the Bolshevik régime was once more reintroduced. All these changes were introduced amid factional fighting which helped to cut off Siberia from Russia and which segmented Siberian territory into complex territorial divisions.

As a direct result of the unfortunate civil strife and the presence of foreign soldiers, the confidence of the people in public institutions was gone. Instead of depositing money in banks, the people hoarded it at home. Uncertain of tomorrow, peasants were ready to sell whatever produce they had, but were not disposed to exchange their earnings for other commodities. During the last two years of the war, the export of meat, butter, and various raw materials from Siberia into European Russia greatly exceeded the import into Siberia of textile and other manufactured articles. The purchasing capacity of Siberia increased, but in view of the shortage of articles of consumption and the uncertainty due to the civil war, the population was hoarding money at home, and eventually it was withdrawn from circulation. The banks experienced great shortage of currency, while there was a superfluity of it among the people. At first the State Bank was able to supply loans to the other banks, but when political events cut off Siberia from Europe, the subsidy of the State Bank came to an end. The co-operative organizations, left practically alone in the field of finance, were obliged to adopt a very primitive method of carrying on trade. Under the protection of an armed guard they would collect money from the people and carry it in cash to various points over all Siberia, wherever purchases had to be made. This illustrates that the entire trading system was completely disorganized.

Among co-operative credit institutions, the Moscow Narodny Bank, as represented through its various Siberian branches, was also in a precarious position. The Moscow Narodny Bank had at the beginning of 1911 seven branches in Siberia: Novonikolaevsk, Vladivostok, Chita, Omsk, Barnaul, Irkutsk, and Nikolaevsk-on-Amur. The political events in Siberia resulted in the overthrow of the Soviets and the establishment first of the Provisional Siberian Govern-

ment, and later of the dictatorship of Admiral Kolchak. These events cut off the Siberian branches of the Moscow Narodny Bank from all connection with the main office. The complete destruction of all banking institutions in Siberia was done by the Bolsheviks with such thoroughness that the Moscow Narodny Bank was left in the position of a practical monopoly. In order, therefore, to preserve the workings of this institution, and in view of the complete separation from Moscow, the Siberian co-operators felt that some sort of control must be established to take charge of all Siberian branches of the bank. Therefore, by unanimous decision of the co-operators, a provisional board was created. It was comprised of representatives of shareholders and of officials of the Siberian branches of the bank. This board was to function till the renewal of communications with the Moscow office.

The Siberian co-operators were laboring under great difficulties. Politics and economics, diplomacy and trade, democracy and the normal exchange of goods had all become entangled in a most fantastic manner. Amid all this chaos, amid the plotting of reactionary groups gathered now around the redoubtable General Horwart, now around Kolchak and Semenoff, the co-operators were striving to establish order and to serve and protect the interests of the consumers. The co-operators who participated largely in the May revolt of 1918, which overthrew the Soviet power in Siberia, soon found themselves persecuted by the new government which followed. Thus one of the large unions, "Centro-Sibir," affiliated with the Zakupsbyt, was compelled to petition the provisional government to stop the persecution of the co-operators. The union pointed out that "cases have occurred where co-operators have been subjected to corporal punishment and even shot. All these repressive measures were undertaken by the local authorities as a result of denunciations by the private traders and profiteers of the villages." "The Zakupsbyt also complained that the authorities regarded the co-operators as a crowd of scoundrels and semi-Bolsheviks.

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\* "Co-operation in Siberia Day by Day," *The Russian Co-operator*, March, 1919, p. 41.

The local offices of several of the unions were requisitioned for billeting soldiers. Time and again, the co-operators were obliged to petition to have the requisition removed.

The rapidity of changes of the Siberian government as well as the entire process of the war, so detrimental to the welfare of the population, indicated beyond anything else that there was no party strong enough to control Siberia. Though unwilling to accept Bolshevism and supporting adventurers such as Semenoff and Kolchak, though attempting even to create some sort of a democratic autonomous republic, the Siberian people, divided as they were in their political beliefs, were obliged to see in the end that the Soviet Government was the only one at that time strong enough to establish peace. On the one hand, Kolchak and his followers represented the extreme reactionary forces, not at all popular in Siberia; on the other hand, the Siberian people themselves were unable to unite and adopt a unified political platform which would have found popularity and support of the majority.

This lack of political unity was very much in evidence among the co-operators, leading them to support now one party and now another, and resulting in breaks in their own economic ranks. The rank and file of co-operators adhered to the resolution of the Third All-Siberian Congress of Co-operators, and participated in the political issues of the day only as individuals. This was not the case with the leaders and officials of the co-operatives, who very often issued public statements avowing support to various political groups. Very often these sentiments presented a deep contrast to those of the co-operators at large, and gave an entirely false impression of the real situation. One such case occurred in the early part of October, 1918. Contrary to the instructions and resolutions of the Third All-Siberian Congress of Co-operatives, the council of that body, a permanent organization established to unite the entire co-operative movement of Siberia, brought out resolutions which, in view of the direct orders of the Congress to leave politics alone, were illegal and unauthorized. Besides, their nature was so reactionary that one of the dissenting members present (N. V.

Fomin, shortly afterward killed by reactionaries) made a public appeal through the co-operative press to take immediate action against the members of the council. In reply to that appeal, the leading unions published a series of articles and resolutions, some of which supported and exonerated the reactionary and unlawful resolutions of the council, and some of which in no uncertain terms criticized and censored the spirit and the act of the council. This issue spread like a conflagration throughout Siberia, and became a subject of most heated debates and caused numerous breakdowns in the co-operative machinery. Among those who upheld the council's resolution was the Union of Western Siberia—"Centro-Sibir"—which united 200,000 householders and counted two and a half million peasant members. "Centro-Sibir," however, found itself practically alone in expressing these sentiments, most of the other large unions affiliated with the Zakupsbyt supporting the just indignation of Mr. Fomin.

Just about the same time another incident helped to widen the internal breach among the co-operatives affiliated with the Zakupsbyt. It so happened that this organization was supporting a non-co-operative newspaper issued at Omsk under the title, *The Dawn*. This newspaper, which originally was of a progressive nature, changed its policy and during the summer of 1918 became very reactionary. The fact that the Zakupsbyt was still supporting this newspaper produced great indignation among the co-operatives affiliated with it. This question came up for discussion at the Instructors' Conference held under the auspices of the Mariinsky Union of Co-operatives. The following resolution was brought out:

"Considering that co-operation which comprises the laboring masses must always stand on the side of democracy; and considering the behavior of the newspaper *The Dawn* as a treason not only to Socialist but even to purely democratic principles, this treason finding expression in the systematic persecution of socialists, and in the defense of corporal punishment, and considering that the financial help given by the Zakupsbyt to this newspaper equals the moral support of reactionary forces against the people whom co-operation

is understood to serve;—considering all these facts, be it resolved to demand of the Zakupsbyt to discontinue the support given to *The Dawn*.”<sup>1</sup>

This resolution was strongly supported by the other co-operative associations and indicated a further split between the Zakupsbyt and its affiliated members. At the same time the Zakupsbyt itself was called on again and again to criticize the actions of its own officials, acting in the name of the organization and in the name of co-operation, and disgracing both, through reactionary acts. Thus at the meeting of the general assembly of the Zakupsbyt, on the twentieth of August, 1918, the members brought out several resolutions criticizing the actions of its representatives, Messrs. Okorokov and Kursky. These two men represented the Zakupsbyt in the far-eastern part of Siberia. There, General Horwart, one of the picturesque but unsavory bandits of the time, had gained some ground and a following. A temporary government was organized under his supervision, and the two above-mentioned officials of the Zakupsbyt immediately gave him support in the name of their organization. The general assembly brought out resolutions censoring their action, pointing out that they were not authorized to act in that fashion, and repudiating them.

These few examples only serve to indicate the anarchy and chaos that was growing in the ranks of the co-operators, due to their voluntary and involuntary participation in the chaotic events of the day. It was very fortunate for the Siberian co-operators that the Bolsheviki began gaining ground and that despite the opposition of the reactionaries, Kolchak, Semenoff, Horwart, and their like, they were able gradually to reconquer Siberia. The introduction and maintenance of the Soviet Government, strong enough to oppose other parties, forced the co-operatives to return to their hostile but neutral attitude toward politics, and resume once more their purely economic enterprises. The Bolsheviki, however, mindful of the double rôle played by the Siberian co-operators, were very hostile to them, and practically at once

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<sup>1</sup> L. Lovzov, "Siberian Co-operation and Politics," *Siberian Co-operator*, Nov., Dec., 1918, p. 40.

began introducing various measures which crippled the independent activities of the co-operators.

The territory which the Bolsheviki once more began gaining was placed under the orders of the Siberian Revolutionary Committee, the so-called "Sibrecom." This committee was to bring about two things: amalgamation of all co-operative associations into one "Epo" (similar in structure to the one described above in connection with European Russia), and, secondly, through this amalgamation to control the entire supply and distribution of food in Siberia. Having these objects in view, the Siberian Revolutionary Committee issued a series of decrees by which the two largest organizations in Siberia, the Zakupsbyt and the Union of Creamery Associations, were liquidated and all their property, real and movable, was fused with the branches of the Centro-Soyuz.

The liquidation of the Zakupsbyt culminated that struggle for supremacy and control of Siberia which had been carried on ever since 1918 between this organization and the Centro-Soyuz. Originally the Zakupsbyt was formed because the Centro-Soyuz, then operating under its former name of the Moscow Union of Consumers' Associations, could not adequately serve the growing needs of the Siberian consumers. Even the bureau temporarily established in connection with the Moscow Bank was unable to meet the demands of the Siberian co-operators. It was only by organizing a special union of unions, the "Zakupsbyt," that the problem of supplying the consumers' unions was solved. At times, the Zakupsbyt, in its capacity of a purchasing and exporting concern, made special agreements with the Centro-Soyuz, which in its structure represented in Russia an association parallel to what the Zakupsbyt had grown to be in Siberia.

In 1918, however, the Centro-Soyuz made a definite attempt to cover Siberia on its own account. A circular letter was sent out announcing the establishment of its first agency at Ufa. Two months later another agency at Omsk was also opened. In regard to these advances of the Centro-Soyuz into Siberian territory, the general feeling of Siberians was expressed in the resolution passed by the delegates of the

**Zakupsbyt.** This resolution stated that inasmuch as the basic co-operative law required that a shareholder of one organization cannot be a member of another association of a similar nature, it was impossible for the members of the Zakupsbyt to become also shareholders of the Centro-Soyuz. Coming as it did, however, amid national upheaval, the Centro-Soyuz, in spite of this antagonistic attitude, was able to gain some ground in Siberia. On the other hand, the Zakupsbyt found itself obliged to reach a temporary agreement with the Centro-Soyuz, since this rivalry was detrimental in view of the general upheaval of the country. Some of the foreign offices of these two organizations temporarily united for advantageous purchases, but upon the disruption of the home offices, the temporary alliance of foreign offices was also given up.

The strength of the Zakupsbyt, November 1, 1918, is estimated to have been as follows:<sup>a</sup>

Membership: 29 Co-operative Unions, which included 9,520 separate Co-operative Societies with 3,000,000 members.

Capital: Shares 9,180,735 18 rubles, while the capital of its members was estimated to be 30,000,000 rubles. Invested in all industries owned by the Zakupsbyt, amounted to 47,000,000 rubles. (139 industries employing 4,500 men).

Turnover: That of the Zakupsbyt and its members during the first ten months of 1918 totaled 523,654,563 rubles. The value of merchandise handled by the Zakupsbyt alone during this period was 97,051,074.14 rubles (which shows a two hundred per cent increase over the preceding year).

Output of industries: Amounted to 113,000,000 rubles and divided as follows:

Manufacture of agricultural products...	66 per cent
Metal industries.....	7 per cent
Sundry industries.....	27 per cent

<sup>a</sup> Data as given by New York Zakupsbyt, Inc.



At the time of the final introduction of the Soviet power (January, 1920), the operations of the Zakupsbyt, though considerably damaged by the civil war, included many important factories and works, among which there were several flour mills, storages, cotton mills, tar works, head-wear factories, forge shops, machine shops, and chemical weighing shops. Considering the extent of these undertakings, as well as the extent of the export trade which was conducted on a large scale, the liquidation of this large organization and its incorporation into the Centro-Soyuz, which locally was a much smaller organization, was considered unjust by the Siberian co-operators. Notwithstanding the fact that since the fall of 1918 the Centro-Soyuz gained some ground in Siberia, its operations could in no way compare with those of the Zakupsbyt. Moreover, the animosity with which the consumers met the approaches of the "Moscow" organization was still very much in evidence.

But from another point of view, this consolidation was very urgent at that time. It must be remembered that the Siberian peasant in his household and farming facilities was, according to statistics, six times better off than the Russian peasant. Moreover, according to general information, the property of the Siberian peasant had not been shattered to such an extent as that of the Russian peasant during the World War and the Russian Revolution. The Siberian peasant was still able to export and sell his products in foreign markets, *i.e.*, furs, butter, flax, wool, fish, etc., and therefore had the means of buying manufactured articles in exchange. At the same time, his Russian brethren were in a greatly inferior position. Their agricultural implements were broken, factories shut down, cattle diminished. The Soviet Government, struggling for economic reconstruction, was bound to turn to Siberia, a part of the Russian dominion, and get help there for Russia proper. Therefore, as soon as military conquest was attained, the Soviet Government proceeded to establish its economic policy, which gave prestige to the Centro-Soyuz. By having one organ of distribution for the entire empire, Soviet Russia was assured of having not only economic, but also political, unity throughout its

domain. These reasons guided the actions of the Soviet Government in the Western part of Siberia.

The Act of Consolidation, as the liquidation of the Zakupsbyt became known by, took place on February 6, 1920. This agreement was signed in the city of Omsk, the Centro-Soyuz being represented by Mr. Frumkin and Mr. Trotsky, and the Zakupsbyt by a member of the board, Mr. Domnin. This agreement was not legal from the standpoint of the Zakupsbyt, since according to its by-laws any liquidation had to be sanctioned by the general meeting of delegates. In order to meet this legal objection, the agreement of February 6th included a clause stating that in the near future such an assembly will be called and sanction of this agreement will be asked for. However, it was found impossible to hold this meeting and in view of the growing agitation among the Zakupsbyt members, neither "wise nor safe." Actuated by these considerations, the Act of Consolidation was enforced without the "meeting of approval" of its former members. Yet in view of the urgency of the times, the instability of the government, and the need of economic unity, these war measures promoted the general benefit of all Russia. By the agreement of February 6th the Zakupsbyt was to transfer to the Centro-Soyuz all of the assets, and being thus allied with that body was renamed "The Siberian Division of All-Russian Central Union of Consumers' Societies, 'Centro- Soyuz.'" In this way, the injurious rivalry between these two organizations which was carried on during 1918 and 1919 was ended, and for a time at least the much-needed uniform economic machinery, with all its unfortunate defects as have been described previously, was introduced into Western Siberia.

In other parts of Siberia this fusion took place much later. Thus in Valdivostok the amalgamation of the Centro-Soyuz and Zakupsbyt took place only in the beginning of June, 1920. This amalgamation was known as "The Siberian Department of Centro-Soyuz," but did not cover all of Siberia. Thus the co-operators who were found in the eastern Siberian provinces continued to operate on the former lines even as late as the end of 1920. This part of the country was finally

brought under the Soviet régime and was given autonomy, under the name of "The Far Eastern Republic." There also the Centro-Soyuz was introduced as the economic body of that region. The unity was thus established in spite of all counter-revolutionary activities.

#### CO-OPERATIVE PROBLEMS IN UKRAINE

While all these events were taking place in Siberia, the co-operators of the south were expressing their animosity to the Soviet power in various ways. Utilizing the political division between the north and the south, the reactionary groups of the southern co-operators openly helped Denikin and his army. Such brazen confidence was reposed in this bandit that various reports to Denikin were actually printed in the co-operative periodical, *The Bulletins for the Co-operatives of Southern Russia*. Perusal of these is rather illuminating. Thus quoting from one of the reports dated November 10, 1919, we have a special address written to His Excellency the Commander in Chief of the Southern Russian forces (thus styling Denikin). Having expressed the general pleasure in Denikin's success, the co-operatives greeted their liberation from the Bolsheviki. The Provisional Committee for the Russian southern co-operatives wrote as follows:

"Wherever the co-operative organizations have been active in the territory now occupied by the Volunteer Army (Denikin's) they gladly, honestly, without delay entered into closest communications with this army."

And again, quoting from the same issue, another address by a delegate of the Workers' co-operatives:

"Many of those persecuted by the Soviet power find refuge and livelihood in the co-operative organization."

At the time of the advance of the Volunteer Army, many officers, who had until then worked in this movement, besides many court functionaries, had considered the co-operatives as the only possible sphere of activity for them. The southern co-operatives were thus veritable hotbeds of Anti-Bolsheviks.

The southern co-operatives, through their provisional committee, openly declared that they wished to aid Denikin in

his counter-revolutionary work. They stated that it would be necessary for co-operatives to begin taking part in the legal consultive organs within the administrative institutions. The following resolution was passed at the conference of co-operators at Kharkov: "Co-operation cannot stand aloof from questions touching the work of the state, and cannot avoid attaching itself to the struggle against the antiState movement of Bolshevism."

In order to realize what such help really amounted to, we must bear in mind that the Southern (so-called Ukrainian) co-operation united at the time 20,000,000 people. The capital stock amounted to 1,378,000,000 gold rubles. The membership and the capital were distributed among 14,326 co-operative unions as follows:

Type.	Number.	Membership.
Credit Unions . . .	2,847	2,200,000
Consumers' Unions . .	10,394	4,000,000
Agricultural Unions . . .	1,085	500,000

Then, again, a glimpse of the centralized power of these unions is to be had in the further facts of combination of these unions. All the primary unions were united in two hundred and seventy-five unions of unions, of which eleven were territorial or Pan-Ukrainian in their scope. Some of the most important of these unions were as follows: the Union Bank, the Ukrainian Agricultural Co-operative Unions, the Pan-Ukrainian Co-operative Publishing Association, the Pan-Ukrainian Insurance Union, and last but not least, the Central Co-operative Committee, this being the scientific and spiritual center and leader of Pan-Ukrainian Co-operation. In 1918 the capital possessed by these unions of unions amounted to over one billion rubles. Six per cent of this capital was invested in commercial operations, as well as in industrial enterprises of their own. These industrial enterprises were as follows: agricultural machinery, tool works, printing works, soap factories, food-producing establishments,

flour-mills, oil-pressing works, sawmills, tobacco factories, boot and shoe factories, and so on.

Though greatly handicapped by lack of chemicals and tools, notwithstanding the damages done through constant warfare, yet the above figures clearly illustrate what help the Volunteer Army could and did obtain from the co-operatives. The victorious Volunteer Army was not slow in taking advantage of the situation. But its rule, or rather misrule, was of such a nature that a little over a year later the same co-operatives were appealing for help against the Volunteer Army. This was due to the fact that the leaders of the Volunteer Army had nothing constructive to offer to the south. Its leaders, being either bandits or true representatives of the czar's régime, could offer only a reactionary program to the Ukrainian co-operatives.

The thing that angered them the most was the sudden and altogether uncalled-for annulment of Russian currency by the Volunteer Army authorities. At the time, the great bulk of the capital of the Ukrainian co-operatives was composed of this currency. This capital represented to all intents and purposes the savings of the people, and its annulment seriously injured the material welfare of all of them.

Secondly, patriotic feeling was stirred because serious harm was done by the same authorities through the reintroduction of the Russian language in the Ukrainian primary and secondary schools. One of the first things done for the benefit of the Ukrainians by the Bolshevik Revolution of 1917 was the introduction of the native language into the primary schools. While Russian is spoken in the southern cities, there are numerous provinces where the Ukrainian language is the language of the people. Nor does this language lack a certain beauty. Numerous songs and dramatic and lyric literature of the very best are a part of that language. The Russian Czar and his government were forever trying to stamp it out. It had been forbidden to teach it in the village schools. Only a small number of the Ukrainians ever learned to read and write the Russian language. Illiteracy reached almost seventy per cent, and to combat this evil the Bolsheviks decreed that the Ukrainian should be taught in the

primary and secondary schools with the Russian language. In two years the results of such a policy were more than manifest. Illiteracy was minimized and the work of the co-operative educators was greatly facilitated.

The Volunteer Army authorities were representatives of the old régime, and as soon as they found themselves in a measure victorious, they issued a decree making the Russian language the only one to be used in schools. The Russian language was thus reinstated, and aside from the insult to patriotic feeling, there was a still more important injury done to the economic reconstruction of the country. This compulsory measure threatened to impede the success of the instruction of the masses, and to retard their enlightenment. This was an integral part of the Ukrainian co-operative system, and a cardinal condition of success of reconstruction of the south consisted in teaching the native tongue. Any harm done to public instruction was really harm to the economic welfare of the people, causing damage indirectly to all the people who had commercial relations with the southern co-operators.

Thus were the co-operators punished in the south for their treason to the new government. This was the one thing which showed them that although the Bolsheviki were issuing decrees which radically crippled the old system, yet their program was constructive, and, at their worst, they were fair and intent upon the benefit of the masses. The co-operators saw this truth a little too late, having paid dearly for their lesson. The radical element became stronger and more assertive, and the co-operatives began leaning toward Bolshevism.

At the same time, being very much handicapped through their lack of materials, the Ukrainians stated their economic problems in their appeal to the allies. One of these appeals was presented to Brigadier General Edgard Jadvin, a member of the American Commission to investigate pogroms in Poland, by representatives of the Pan-Ukrainian Co-operative Organizations. Having stated their two chief causes against

the White Guards, they proceeded with their request to the United States Government as follows:\*

(1) To grant them on credit to the amount of 500,000,000 rubles agricultural tools and machinery, soap factory machinery, meat packing machinery and tools, fruit and vegetable packing machinery, cream separators, equipment for condensed milk plants, flour mill machinery, grain mill machinery, sawmill machinery, tobacco factory machinery, cotton and woolen mill machinery, knit goods machinery, foundry work machinery, plumbing works machinery, turning mill machinery, woodworking machinery, electric works machinery, and leather works machinery.

(2) Besides giving them on credit the foregoing machinery, to grant them credit in the form of the installation of the aforementioned machinery, in their works and factories, the equipment thereof, and the sending of American engineers to direct, manage, and supervise the working of the factories so equipped.

(3) To accept from Ukraine, in exchange for credit so granted in payment thereof, raw materials and partly manufactured products, such as selected sugar-beet seed, flax fiber, hemp fiber, hides and skins, oil cakes, flaxseed meal, nuts, wool, sugar, honey, eggs, and raw bacon.

(4) To appoint a special Federal Committee composed largely of representatives of the great national co-operative organizations of the United States, such as the Farmers' Equity Association, Farmers' Alliance, Farmers' Congress, National Grange, etc., which would deal directly with representatives of the Ukrainian National Co-operative Organizations shortly to go to the United States in order to establish stable and permanent trade and commercial relations between Ukraine and the United States.

Ukraine was thus trying to re-establish trade with countries abroad, and at the same time to undo damages done through her own treason to the Soviet Government. Radicals were slowly getting hold of the southern co-operation. In contrast to this the leaders of the co-operative movement of

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\* *The Nation*, Feb. 7, 1920, p. 184.

the north, working underground and unmindful of the current experiences of the south, were spreading their treasonable activity far and wide.

#### RUSSIAN CO-OPERATIVES AND THE ANTI-BOLSHEVIST ACTIVITIES

During the period when foundations were being laid for the rehabilitation of the economic life of the country, the Soviet power was naturally and inevitably constrained to make use of the services and experiences of the old co-operators to supply and distribute the necessities of life to the populace. It seemed sensible to employ the great machinery of co-operation, as upon all occasions the leaders of the co-operatives proclaimed their neutrality toward political events. Apparently working hand in hand with Soviet organs, the co-operators claimed that despite their divergence of political views on world events and the course of the Revolution, their own activity was of a purely humanitarian character, similar to that of the Red Cross. Consequently, even though various decrees such as were discussed above took away numerous old privileges from the co-operators, the Soviet Government was inclined to repose at times great confidence in them, and to expedite the reconstruction work used the great network of co-operation in the country.

While uttering their favorite refrain as to their neutrality, the leaders of co-operation camouflaged their underground struggle against the real economic policy of Russia. For some time this activity was so well conducted that no one suspected treason on the part of the Centro-Soyuz, which still remained the central co-operative body and which assumed leadership in this disgraceful affair. While conducting their negotiations with counter-revolutionists, the Centro-Soyuz maintained a peaceful attitude only within the limits of Russia proper. Beyond the boundaries there seemed no need of pretense and disguise. There it carried on the propaganda openly, and it was only due to the complications arising from the civil war that the Soviet Government was unable to have exact data in time to crush such activity in the Centro-Soyuz.



It was through mere chance that the treasonable dealings of the Centro-Soyuz came to light. For some time the Soviet officials, always on the watch to suppress free trade, were suspicious that the Centro-Soyuz was speculating in foodstuffs. The Petrograd Extraordinary Commission decided to investigate various rumors and accusations against the Centro-Soyuz. A search was made and the safe and office of the Centro-Soyuz were thoroughly examined. The investigators found that in addition to the official assets of the central office, the safe contained 3,000,000 rubles in Duma and czarist currency, in stocks, and in foreign currency.

The extremely confused and contradictory explanations of the treasurer, Mr. Krokmal, led the investigators to believe that this sum of money represented something more serious than just ordinary speculation. Mr. Krokmal was arrested and his residence was searched. The same was done with the residences of the members of the governing board, and various documents seized in this way showed clearly the extent of the treason as well as the actual plans of the conspirators. Accordingly, these men were all arrested and brought to trial before the Supreme Revolutionary Tribunal, Mr. Kaefontov presiding. This trial was held in September, 1920.

Numerous letters in the form of official communications from foreign powers and from the co-operators abroad to the Centro-Soyuz were produced at this trial, revealing actual plans of the conspirators. Most of these letters came from the London office of the Centro-Soyuz. This London office was directed by Mr. Alexander Berkenheim, who for a number of years was one of the leaders of the Centro-Soyuz. In 1919 he was sent on a special mission to the United States to open trade relations between that country and Russia. At the time he was unsuccessful. It is said that he tried to present his case in the light of co-operative independence from the Soviet régime.<sup>10</sup> Mr. Berkenheim left the United States, his mission unaccomplished, and took charge of the London office of the Centro-Soyuz. Most of the letters produced at the trial had his signature. Other letters were from

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<sup>10</sup> *Soviet Russia*, Dec. 4, 1920, p. 566.

Mr. Selgheim, who was at one time a member of the governing board, and who, claiming illness, was allowed to go to Switzerland. He, however, proceeded to Stockholm and took charge of the Centro-Soyuz office there. He proceeded to co-operate with Berkenheim in the London office and sent supplies to Denikin in the south. The south was placed in charge of Mr. Koroloff, and his anti-Soviet activity was characterized by the contents of memoranda handed over by him, and A. M. Nikitin, a former Kerensky Government official. These memoranda were found in the records of the committee in the course of the search at Korobovs.

The plans of the conspirators were most striking in their simplicity. First of all they were to help Yudenitch, who was to besiege Petrograd by withholding food supplies and at the same time buying on a large scale everything that could be bought. This either could be hidden or else shipped abroad. The policy was then to starve and impoverish Russia to the nth degree. The following is an abstract from one of Berkenheim's letters:<sup>1</sup>

"Find export commodities, spend for the purchase of these commodities all the means in your possession, spend all that you will obtain from the sale of our goods, and send everything to us. Do not worry about profits. Sell at the prices you can get, and losses we will count afterwards. And don't be too particular with regard to the commodities for export. Flax, hemp, lumber, we can use anything, even books. We heard that there are in Petrograd editions of the Russian classics at comparatively low prices, and these goods are in demand here just now. We recommend that you seriously consider this question. In the lists of export commodities you should not confine yourself to Petrograd, you should investigate also the surrounding districts, of course leaving a certain part of commodities to the district. If necessary you should establish contact with and work through other co-operative organizations. In general this is an important matter just now, and the whole future of our relations depends on its successful solution." Foreign capital supplied the necessary means for these purchases. Various other ar-

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<sup>1</sup> *Soviet Russia*, Nov. 6, 1920, p. 467, col. 2.

rangements were being made for the future policy of the Centro-Soyuz. It was planned that as soon as Yudenitch took Petrograd a large shipment of food supplies would be shipped to that city. The Petrograd office was to sever direct connections with the Moscow office and come directly under the supervision of the London office. That office, in view of the coming event, was advertising the advantages which would come directly from the restoration of the capitalistic order of society.

Another letter of special interest found in the residence of Mr. Kuznetsov (a member of the board) and addressed to another prominent leader of co-operation, Mr. Korobov, was signed Selgheim and written from the Stockholm office, as follows:<sup>12</sup>

"Have received an inquiry from Berkenheim as to whether I should advise him to buy from the American quartermaster \$25,000,000 worth of underwear, shoes, pants, and raincoats. I cabled him to be very careful to take only goods for which there may be a demand among the Russian peasants, and suggested that he ask our offices at Omsk and Rostov for advice."

These two centers at the time were aiding Kolchak and Denikin, and it is clear that references to those two cities indicate the help rendered through the London office to the Anti-Bolsheviki.

The trial began on the thirty-first of August, 1920. Before the highest tribunal of Russia, the Supreme Revolutionary Tribunal, appeared many eminent co-operators. Among them were Korobov, Lavrukhin, and Kuznetsov; the treasurer of the Centro-Soyuz; two former ministers of the Kerensky Government, Nitikin, Gvozdev, and others. Altogether there were nineteen men accused before the bar. The evidence was produced. Several of the men pleaded guilty, and their evidence added various details. Considering the testimony, the Tribunal passed the following sentences:

(1) Krokhnal, who was guilty of buying goods whose sale had been prohibited and of not informing the authorities of unlawful transactions with speculators, to three years' con-

<sup>12</sup> *Soviet Russia*, Dec. 4, 1920, p. 566, col. 1.

finement in a concentration camp; but in view of his acknowledgment of his errors, and in the absence of willful intent on his part, the first of May amnesty was applied to him and the sentence was not enforced.

(2) Arishtam, for complicity in speculative transactions and Mordukhovitch, for not informing the authorities, to three years' confinement in camp; but in view of mitigating circumstances, the sentence was set aside.

(3) Obolensky, Mosdorf, and Shishko, for not informing authorities and for protecting speculators, to five years in camp, with sentence suspended.

(4) Sharoto, Alexander Mordukhovitch, and Dubrin, the first for complicity in giving a bribe, the second for participating in the speculations of his father, and the last for buying and protecting speculators, to ten years' confinement in camp.

(5) Rosen, Korobov, Lavrukhin, and Kusnetzov, for protecting and receiving commissions from speculators, and the last three men especially for sending to Kolchak and Denikin, and thus giving aid to the counter-revolutionists, to fifteen years' confinement in camp.

(6) Nitikin, for direct help to the counter-revolutionists, to be shot; but in view of his repentance, his sentence was commuted to fifteen years' confinement in camp.

(7) Berthold, for receiving money under an assumed name and for giving a bribe to the investigator of the Extraordinary Committee, to be shot. The sentence was commuted in view of mitigating circumstances and of the first of May amnesty, to fifteen years' confinement in camp.

(8) Adolph Bordukhovitch, for willful speculation, to be shot; but in view of his age, was sentenced to life imprisonment.

(9) Pruss, Sakharov, and Smetanin were acquitted.

This trial was greatly misunderstood in foreign countries. This was due mainly to the wrong presentation of the case and partly because foreign capital was deeply involved. In spite of all the accusations, this trial was fair. It became evident beyond any doubt that despite their duty to aid the Soviet power, to struggle against the free markets and against

speculations of manufactured goods, the co-operative organs continued to work as of old. Thus, Dubrin, one of the accused men, testified that merchants who were unable to sell the goods which they had concealed from registration offered to sell them to the Centro-Soyuz under assumed names. The sum total of evidence clearly established that the accused co-operators were disloyal to the government and deliberately plotted against it. But their attempt to defeat the Soviet power came to naught. The conspiracy of the Centro-Soyuz was overcome and the guilty men punished.

About this time the government gave the Centro-Soyuz power to reopen foreign trade, but a special Trade Board composed of government officials was appointed. This Trade Board was to co-operate closely with the Centro-Soyuz and jointly be responsible for the export trade. None the less, in spite of these triumphs of the Bolsheviks, certain other considerations influenced the Soviet Government to give up its rigid communistic policy and to introduce what became known as the "New Economic Policy." The relations of the state to the co-operatives under this new system will now be presented.

## CHAPTER VII

### THE NEW ECONOMIC POLICY AND THE CO-OPERATIVE MOVEMENT

The Bolsheviks were very consistent when they attempted to liquidate the co-operative societies and transform them into organizations subsidiary to the state. Having defeated the foreign intervention of arms and capital which supported the civil uprisings, led by vagabonds and bandits, such as Petlura, Wrangel, and the rest of them, the communists proved themselves masters of Russia. The much-needed peace was at last more or less restored to the badly war-ridden country. In accordance with their dogma, "direct action and no compromise," the victors then proceeded to introduce such decrees as were necessary to transform the former capitalistic Russia into a communistic state. The co-operatives, therefore, were also changed so as to correlate with the rest of the Soviet institutions. In this respect the conduct of the Bolsheviks was consistent and justifiable.

When the Bolsheviks introduced their communistic régime, they based it upon two hopes. First, they felt that in the near future there would be a Bolshevik Revolution in Western Europe. And true enough, Germany at the time was on the verge of just such a turmoil. The revolutionary wave seemed to be spreading to France, Italy, and England. The Russians, therefore, felt that they were soon to have a Bolshevik neighbor who would give them support. The other hope upon which the Bolsheviks built their radical changes was that they would have active support from the peasants, who represented eighty-five per cent of the Russian people. They were also justified in expecting this support; first, because the revolutionists freely gave the peasants the much-desired land; secondly, because these same peasants showed

their appreciation by helping to defeat such leaders as Petlura. Therefore, having decided to go on socializing the state and actually establishing communism, the Bolsheviks believed that they would be as successful in their economic reconstruction as they were on the battlefield.

The communistic state, such as was introduced into Russia, and which demanded nationalization of the co-operatives, was based upon requisition of grain. Due to the fact that some eighty-five per cent of Russians were peasants having small holdings, the Soviet Government was forced to adopt a plan of building up land communes and making requisitions of grain. At the same time, by nationalizing the means of supply, transportation, and distribution, by abolishing the use of money, and by keeping state control over everything, the Bolsheviks established a communistic régime. But within a brief space of two years, they were forced to admit their failure. They received no help from Europe, which, contrary to all calculations, still remained a capitalistic continent. They also were not supported by the peasants, who entirely failed to respond to communism. Grain requisitions led to many abuses both on the part of the officials in charge of collection of the tax, and of the peasants, who tricked the officials and found all sorts of ways of eluding the law. Primarily, the policy was a failure because a system of requisition and rationing of everything destroyed the personal equation—the desire for gain, which gives an incentive for larger production. Knowing beforehand that all he was to produce belonged to the state, a peasant was not at all anxious to work and enlarge his total production. The crops diminished at once, and the lessened production was partly responsible for the terrible famine which brought new misery to Russia.

The Bolsheviks acknowledged their failure. In an article appearing in the *Petrograd Pravda*, October 20th, from the pen of their leader, N. Lenin, we read as follows:

"The last, the most important, the most difficult, and the most incomplete portion of our work is economic reconstruction, the laying out of the economic foundation for the new socialist structure in place of the destroyed feudal and half-

destroyed capitalistic structure. It is in this most important and most difficult task that we have made the most failures and the most mistakes. As if it were possible to begin such a new world task without failures and mistakes! We are correcting now by our 'New Economic Policy' a number of our mistakes. We are learning how to continue, without those mistakes, the building of the socialist structure in a country of small peasants."<sup>1</sup>

The New Economic Policy which undid much of the previous work of the Bolsheviks, and which once again restored the co-operatives to their former glory, consisted, first of all, in substituting "the tax in kind" for the former grain requisition. A peasant (and later on a producer) was given the right to sell his products in the open market and retain the profit for himself. He was taxed by the government according to the number of people in his family, the number of cattle he owned, etc. This restored an incentive for larger production, a thing which, in view of the famine and newly organized foreign trade, was much needed. This is what Lenin says in regard to the New Economic Policy:<sup>2</sup>

"The question of substituting the tax in kind for the requisition of grain is above all a political question, because the essence of this question is the relation of the working class to the peasantry. There is no doubt that the social revolution, where the overwhelming majority of the population consists of small farmers and producers, may only be achieved by providing for a number of special transitional measures that would be entirely unnecessary in countries where the wage earners constitute the overwhelming majority in industry and agriculture. In Russia, the industrial workers are in the minority and the small farmers in the majority. We know that only an understanding with the peasantry can save the social revolution until the revolution is ready to break out in other countries. We must say openly that the peasantry are discontented with the form and the

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<sup>1</sup> N. Lenin, "Achievements and Promise," *Petrograd Pravda*, Oct. 20, 1921

<sup>2</sup> N. Lenin, "The Tax in Kind," *Soviet Russia*, May 21, 1921, pp. 503-6.



relations thus far realized by us, that they do not want that form, and that it has to be changed."

Desiring to introduce a new policy giving the peasant more freedom of production and trade, the Bolsheviki were also anxious to centralize this trade as much as possible. To accomplish this, the Soviets decided to place local trade in the hands of the co-operatives. Eventually the co-operatives were also given some of their old privileges, and were allowed to reconstruct their producers' and consumers' societies. The original resolution which gave new birth to the co-operatives read as follows:

"In view of the fact that the resolution of the Ninth Congress of the Communist Party, as to our relation to the co-operatives, is based upon the principle of the requisition of grain, which is now replaced by the tax in kind, the Tenth Congress of the Communist Party resolves to alter the resolution in question. The Congress, therefore, commissions the Central Committee to formulate the conditions for improving and developing the structure of, and activity of, the co-operatives, in accordance with the program of the Russian Communist Party, and to take as a basis the substitution of the tax in kind."

In view of this resolution adopted by the Tenth Congress of the Russian Communist Party, the government began introducing measures to insure a larger sphere of activity for co-operatives as well as to increase the amount of production both on the farms and in the factories.

#### THE NEW ECONOMIC POLICY AND CONSUMERS' CO-OPERATION

The first important measure of the government which reflected upon the activity of the consumers' societies was the decree of April 7, 1921, which gave permission to the consumers' societies to carry on their former work of providing commodities of exchange. It restored their right to have shares and to raise funds for buying operations and their right to own industrial concerns for the purpose of obtaining a new stock of goods. Besides, they were entrusted to carry on the entire exchange of commodities in the country, and

for this purpose the government assigned the stock of goods it had on hand. In accordance with these provisions, a general agreement was signed on May 15th between the Centro-Soyuz and the People's Commissariat of Supplies for the delivery to the former of the available stock of goods. From that time on up till the middle of July, a period of seven weeks, goods to the value of 4,000,000 gold rubles (\$2,040,000) passed into the hands of the Centro-Soyuz.

This last privilege was of a temporary nature, and when the stock of goods became exhausted, the moribund condition of the consumers' societies became apparent. Though eager to keep their new privileges and anxious to resume their work, they could not begin operating on their former scale. The industrial concerns revived but slowly and were unable to supply distributive societies with a sufficient amount of new stocks. Therefore, when the goods supplied by the government were entirely sold, the consumers' societies were obliged to reduce their trading operations. In order to carry on the work on its own account, now that state financing had ceased, the Centro-Soyuz stimulated deposits and promulgated the sale of shares. The government also granted to it the exclusive right to reopen trade with foreign countries. Due, however, to the experiences during the rigid communist régime, the confidence of the members in the security of their enterprise was practically gone. Therefore, revival took place very slowly.

At this critical moment, the government came to the rescue of the consumers' co-operatives by its decree of October 26th. This decree provided that all government contracts were to be submitted to the Centro-Soyuz and its branches. In other words, this decree gave priority to the consumers as purveyors of the state. This privilege of monopoly restored in part the confidence of the members of the Centro-Soyuz and gave new vigor to the consumers' co-operative movement. This decree read as follows:<sup>3</sup>

(a) All offers made by government institutions for the con-

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<sup>3</sup> A. S. Orloff, "The Revival of the Co-operative Movement in Russia," *The Russian Economist*, p. 1937.

clusion of agreements are addressed first of all to the Centro-Soyuz, or, if the operation is carried on within a separate province, to the provincial co-operative union.

(b) In case the respective organization of the consumers' co-operation refuses to conclude the agreement on the conditions offered by the government institutions concerned, the latter are entitled to extend their offer to other organizations or concerns, on the condition, however, that the terms of this contract would be more profitable than those offered by the consumers' co-operatives.

Finally the decree of December 10th of the same year clarified various points of the agreement between the government and the consumers' co-operatives by specifying the details according to which the final transmission of nationalized industries were to be turned over to their former owners—the co-operatives. Supported by all these complicated measures, the co-operatives were able to point out and demand from the government the re-establishment of some co-operative bank which could supply funds for the growing co-operation. In spite of the fundamental opposition of the government in regard to the banking institutions, the consumers won their point and the new Consumers' Co-operative Bank began its operation in February, 1922.

The stamp of communistic ideas, however, is still very much in evidence, as seen by the general make-up of the consumers' co-operatives. First of all, the Centro-Soyuz consists of small units of co-operative societies scattered in every village and city throughout Russia. These are called, as formerly, "Epos" and "Mnogolavki," so that the names given during the communistic régime are still very much in evidence, reminding one of the former United Consumers' Society. These Epos are combined into larger units within the same city or the same districts. These in their turn are united still further in the regional unions having autonomy over wide territory, such as the Ukrainian Union, the Far Eastern Soyuz, and others. These regional unions, in their turn, are combined under the Supreme All-Russian Consumers' Societies—the Centro-Soyuz. But besides these societies established during the communistic régime, there are numerous independent locals

and their unions which were founded recently under the new economic statutes.

The real vestige of the communistic régime as found in the structure of the Centro-Soyuz, is the obligatory registration of consumers. Every Russian citizen must be a member of a local organization. At present there is a choice, however, between belonging to a voluntary association or to an "Epo." Members thus gained are not necessarily interested in the welfare of the Centro-Soyuz. Now that free trade is legally permitted, the members of an Epo are free to buy wherever they please. Consequently, though registered through the Centro-Soyuz, a great number of men do not participate in its activity. According to the most recent data, the co-operatives control only a part of the retail trade. Thus: "In Moscow during the first ten months of the last year they controlled a little over one-fourth of the retail trade."<sup>4</sup> To stimulate this lagging interest, the Centro-Soyuz decided to introduce some further changes in the structure of consumers' co-operation.

Considering that the popularity and success of the voluntary consumers' societies lay in the fundamental principle of shareholding, the board of the Centro-Soyuz sanctioned the introduction of the same principle into the structure of the "Epo." The following is the report of this momentous decision:<sup>5</sup>

"Each member of the Epo must subscribe to at least one share. The number of shares which are held by each member as well as the price of each share is left to the decision of the General Assembly of each local. Payments may be made in small portions. If a member is so poor that he is unable to subscribe even to one share, the local must purchase that share for him. A special fund for this purpose must be created by setting aside twenty-five per cent of the net profit of each society. In its turn, each Epo must become a shareholder of a Provincial Union (Gobosoyuz), and each Provincial Union must be a shareholder of the original Centro-Soyuz. These regulations are to be enforced by law."

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<sup>4</sup> *Survey Graphic*, March, 1923, p. 735.

<sup>5</sup> *Far Eastern Co-operation*, Feb., 1922, p. 47.

Within six months of the first decree introducing the New Economic Policy, the network of consumers' co-operatives included 17,000 societies, out of which 16,000 were found in the rural districts. These did not include, however, voluntary associations which were being introduced everywhere. Though operating but a short time, their popularity was such that by October 1, 1921, they had over 12,000 distributive stores in operation. The Centro-Soyuz had twice that number. At present there are over 47,000 stores affiliated with the Centro-Soyuz. The only way to control this vast network of stores and societies was to build up strong territorial divisions, uniting all of them into one body through the Moscow office of the Centro-Soyuz. Frequent co-operative conventions, as well as co-operative publications, newspapers, lecturers, and traveling instructors, brought the consumers' co-operatives still closer.

Though relying at first almost entirely upon the supplies given by the government, the Centro-Soyuz operates more normally. Thus Mr. Hinchuk, president of this organization, in his report to the Consumers' Convention in November, 1921, gave the following record of its activities:<sup>a</sup>

(1) Independent collection and preparation of raw material contained: Grain, 3,411,353 poods; Meat, 1,788,251 poods; Butter, 51,996 poods; Hides, 1,628,696 pieces; Hemp, 139,938 poods; Flax, 122,765 poods.

(2) The Centro-Soyuz bought abroad, on its own account, grain, flour, and oats to the value of 2,800,000 gold rubles.

These activities during the following year increased greatly. Various departments such as the Fish Section, Fruit and Vegetable Division, Egg and Butter Section, Grain and Fodder Section, and the Timber Department submitted a memorandum to the Centro-Soyuz indicating that their program for the following year provided for the increase of the output to several times that of the preceding year. The Fish Department, for instance, expected to provide between two million and three million poods of salted fish, etc.

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<sup>a</sup>"Co-operation in Soviet Russia," *Far Eastern Co-operation*, Feb. 1922, p. 44.

The Centro-Soyuz became the owner of many industrial enterprises. These ranged from north to south, from east to west, and involved a great variety of works. The following partial table indicates the type and the scale of industrial operations of the Centro-Soyuz between January 1, 1922, and April 1st of the same year:<sup>7</sup>

Moscow Works of the Centro-Soyuz: Down and feather factory, 6,000 poods; Confectionery plant, 15,000 poods; Miscellaneous works—Coffee 2,260 poods, Chickory 2,520 poods, Tea 5,400 poods, Mustard 7,200 jars, Essence of vinegar 48,000 bottles; Soap factories, 22,500 poods; Jam factory, 6,600 poods; Sawmill, 7,000 sajens of timber; Box factory, 14,400 boxes; Sausage and canned goods factory, 13,000 poods.

Similar enterprises operated by the Centro-Soyuz are to be found all over Russia. These include flour mills, boot and shoe factories, steam bakeries, and so forth.

According to the recent testimony of the International Co-operative Delegation to Russia, the Centro-Soyuz during 1921 accumulated an immense amount of goods for shipment. The delegation visited the Centro-Soyuz at Moscow in 1922 and gave numerous testimonials as to the activities of this Centro-Soyuz containing samples of goods ready for shipment. They were surprised at the enormous variety and extent of operations of this organization. "It was difficult to draw the delegation from this scene," writes Mr. H. J. May, the General Secretary of the International Co-operative Alliance, who also was a member of the Co-operative Delegation to Russia. "Such was the absorbing interest not only in the samples but in the enormous figures indicating the amount of stocks of various articles which were ready for shipment. Our colleagues, who are closest in touch with wholesale trading transactions of the west, were visibly astonished at the amount of business represented."<sup>8</sup>

Much of the valuable raw material was prepared in 1921 and 1922, for export, at the precise order of the government.

<sup>7</sup> A. S. Orloff, "The Recent Co-operative Movement in Russia," *The Russian Economist*, p. 1944.

<sup>8</sup> *International Co-operative Bulletin*, May and June, 1922, p. 99.

This is true especially of the greater part of wool, fiber, bristles, and tar. Thus by the middle of November, 1921, the raw-material section of the Centro-Soyuz had prepared for the government 1,140,000 articles of furs and 2,030,000 hides. It also prepared the following raw materials:

Raw Materials.	In Poods.	Raw Materials.	In Poods.
Flax .....	118,463	Flax tow .....	37,864
Hemp .....	180,623	Hemp tow .....	9,068
Wool. ....	99,000	Down and feathers . . .	7,000
Hair.....	5,800	Bristles .....	9,600

With the beginning of 1922, the amount of export carried on their own account increased considerably in comparison with the preceding year. Thus they had acquired for themselves 250 poods of flax for export. By April, 1922, they were ready to export for themselves \$3,000,000 worth of goods.

#### REVIVAL OF INDUSTRIAL CO-OPERATIVE ORGANIZATIONS

While the consumers' co-operatives have enlarged their scope of work and become an economic force, a similar revival of activity is also found among the industrial co-operatives. During the communist régime, large establishments owned by co-operatives were nationalized. There were, however, numerous small kустar industries which collectively represented large numbers, yet which were not centralized locally as large units and which, therefore, could not easily be nationalized. From the very first, the home industries and the handicrafts presented almost insurmountable difficulties in the paths of socialization. The method of expropriation and compulsion, justifiable perhaps in the large industries, was impractical and purposeless. The only road to socialization lay through the gradual formation of larger units of co-operation and uniting them to the state through the state control of supplies necessary for maintenance of the industry as well as of ordinary consumption. These considerations influenced the sub-

stance of the decree of April 26, 1919. It provided that home industries, run on co-operative or purely capitalistic basis, and employing not over ten people and which had machinery not exceeding one horsepower, could get their supply of raw materials from the state. The output of these small home industries were divided into two categories—the products made of the supplies given by the state, and those which were made by the home workers from the material obtained from some other source. The former had to be delivered to the state, to be distributed wherever there was need for them, but the other goods could be sold wherever the owners of these small industries wished.

These provisions were insufficient to nationalize these small industries. However, the Soviet Government took other measures to bring them closer to the state. In the first place, the state assumed the control of supplies on a large scale, and therefore the small industries were more or less obliged to purchase these supplies from the state. Secondly, the small industries could not exist without being supplied by half-finished products from the larger industries. Many small industries also depended upon the large establishments for the supply of rejected articles and odds and ends which could not be utilized in a large industry but which gave impetus to many small ventures. Since the large industries were to be in the hands of the state, and thus having been supplied by the state, the home industries eventually turned over to the state almost the entire produce of their respective establishments.

Thus the decree of April 26, 1919, wrought a close union between the government and home industries. In some regions where this home industry was very much developed, within the first year results on a large scale were in evidence. In the Pavlovsk home-industry region, large and small industries were both benefited by the arrangement. This resulted in a steady demand for articles to be finished by small shops, and gave the kustars a steady employment. It also benefited the large factories, for whenever needed, they could utilize trained kustars as extra workers in the rush seasons. This arrangement reduced the cost of administrative apparatus, since a



large factory, depending for its staff of workers upon small shops, was relieved of having a training department of its own.

Organic co-operation between the large industry and its small brother also manifested itself during the harvest time. This was always a difficult time for the workers. In the early part of the twentieth century, after the industries were developed, the workers had to give up their farming. But now, when the government was willing to give land to all who could cultivate it, it was most necessary to cultivate it properly for fear that it might be taken away. The small and large industries combined and sent detachments of peasants and workers to help with the harvest. In these various ways, small industrial co-operative associations profited by the communistic régime and became, therefore, ardent adherents of this system. Thus, in the midst of the peasant population discontented because of the grain requisitions, there were also peasant kustars who profited by this system and who give their loyal support to the government. Unions of artels found themselves under the protection of the Supreme Council of Economy favored as workers' organizations. These artels prospered and increased their power under the communistic régime. They united through the trade unions into one national unit. Such was the situation of the producers' co-operatives when the New Economic Policy was introduced.

On the seventeenth day of May, 1921, a decree was passed which allowed the formation of co-operative associations in home industry by a simple declaration. Unions of these artels could be formed on the same principle, provided they were confined to the limits of each province. This decree also granted the right to elect a managing board. Furthermore, the decree of July 7th of the same year clarified numerous points regarding the formation of the new industrial co-operatives and their unions. Thus the minimum number of members which could warrant the organization of a co-operative was established as five. At the same time, this decree gave the co-operatives the right to employ industrial workers, though their number was not to exceed one fifth of the shareholders. In a small shop of five co-operators, only one worker,

therefore, could be employed. This applied only to the auxiliary work, but for a worker to be employed in the main production, and to receive a steady job, a special permission was to be obtained from the Council of National Economy, or any of its branches. This decree also guaranteed exemption from municipalization of all concerns, equipments, building, stocks of raw material, or of produce belonging to any of the industrial organizations. These could be confiscated only through process of law.

The large industrial plants, which up to this time had been under government supervision, were given the privilege of forming workers' co-operatives. Each factory, or Soviet establishment employing more than two hundred workers, was entitled to form a co-operative. Establishments employing a lesser number could join with others, and thus form a co-operative unit. Each worker could belong to only one co-operative. Shares were also introduced but were varied according to each province. Thus the Presidium of the Moscow Provincial Trade Union Council, collaborating with the Moscow Commune Administration, fixed the initiation fee at 500 (current) rubles; whereas the prices of shares was not to exceed 10,000 (current) rubles, payable in installments either in money or in goods. In Moscow a special workers' co-operative bureau was set up. It made arrangements to purchase articles of consumption for its members. These co-operatives also received the privilege of organizing dairy and vegetable farms and other similar enterprises. All these privileges tended to organize new voluntary producers' co-operatives and unite them into provincial unions. As soon as this was accomplished, agitation was started to form a central body uniting all Russian industrial co-operatives. While this agitation was taking place, one of the branches of producers' co-operatives—namely, forestry co-operatives—succeeded in uniting on a national scale.

Numerous circumstances aided such a speedy formation of this union; one being the importance of the forestry industry in the national economy. Russian possesses immense wealth in forests covering over some 25,000,000 square miles of ground in both European and Asiatic Russia. Similarly,

as was the case with all other natural resources and forms of wealth of the country, the exploitation of the forests was far from being completed. The export of timber in the few years preceding the war became an important economic factor, having increased from 66,000,000 rubles, in 1903, to 165,000,000 rubles in 1913. According to some authorities, timber and by-products could have been obtained under the proper supervision and development of industry. It was quite natural, therefore, that increased attention should be paid by the Bolshevik Government to this particular type of industry. Keeping in view the possibility of improving the adverse trade balance, the Soviet Government gave special privileges to the forest artels. These belonged to the labor co-operatives and thus were closely bound with the new régime. At the outbreak of the Revolution, these artels were still in a primitive state of organization, only one large union being on record under the name of the "Northern Union of Co-operative Timber Association." In order to stimulate the co-operators to activity, the government called a special conference, and in the meanwhile sent out the following appeal to all forest workers and co-operators:

"The Russian Revolution has opened before you a way to free labor in the national forests, but in order to become a free worker, it is necessary for you to emancipate yourself from the subjugation to and dependence on the private forest-working firms and timber merchants. It is necessary that the cutters of wood themselves, eliminating the private dealers, should take into their hands the exploitation of the forests on the principles of co-operation. The workers' concerns should close their ranks and organize themselves into forest-working artels, further combining into unions and thus laying the foundation for a proper and co-ordinate working of all forests."<sup>9</sup>

This conference, which was held at the request of the government in Archangel, December 16, 1917, fully indicated the good will of the government, and further cemented its

<sup>9</sup> "Co-operative Forest Working Societies," *The Russian Co-operator*, Feb., 1918, p. 43.

friendly relations with the forest workers. When political events cut off a part of the forest workers of the north from the rest of Russia, the friendly feeling remained. The Northern Union of Co-operative Timber Associations felt the burden of the war heavily. The civil war created the so-called "Archangel Front" cut through the districts of the provinces, and separated from the union the artels of the provinces of Vologda and Olonezk, those of the Shenkursk district and of parts of the districts of Onega and Pinega. Thus only a limited number of artels remained in contact with the union. Even these were further depleted by the requirements of the military service. Numerous leaders of these artels were drafted and thus the work of the artels was crippled still further. On the other hand, continued underfeeding played havoc with the health and the strength of the whole region. Furthermore, the repeated requisitions of carts and horses minimized the work of the forest workers.

At last the much-needed peace was re-established in the north and the artels once more began operating under their former union. The government was ready to aid these artels still further, and under the privileges of the New Economic Policy they were able to unite on the national scale. Seventeen separate unions of forestry convened at the Congress, May 28-31, 1921, and drew up statutes for the proposed formation of the All-Russian Union of Forestry. These articles met with the approval of the Supreme Council of National Economy and were confirmed September 5th of the same year. The new organization received the name of Vsekoless, from the abbreviated Vse-Russki Co-operativini Less, the All-Russian Co-operative Forestry. Under this title come all those industrial enterprises which are closely connected with forestry proper, such as felling, working, and milling the timber, the production of pitch and resin, the dry distillation of wood, and the manufacture of articles of wood by home industry. Due to the new spirit, some of the old big unions, which had formerly been disbanded, now reappeared again and began functioning on a larger scale. In several cases amalgamations of allied industries were formed so that the new territorial unions benefited by the general co-operative

spirit within their province. Thus in the Archangel district, the pitch producers have amalgamated with the Union of Forestry. Their example was also followed by the co-operatives engaged in the fishing industry.

The work of the new organization presents many points of interest. Before the work of felling commences, this central body holds a convention to which all the members send delegates. A scheme for the entire year is worked out, each union being responsible for its share of produce. Questions of credit, transportation, export, new machinery, and other purchases are decided upon, the board of the Vsekoless being responsible for the execution of these various resolutions. In keeping with the general tendency of the present co-operative movement, the Vsekoless stands for centralized organization and autonomous local management. The annual convention also adopts a plan of work and fixes minimum rates for felling and carrying timber. This convention in its turn is followed by the annual meetings of district unions of artels at which the previous decisions are adapted to the local conditions and the rates of payments for work are finally decided upon. In working out the scale of payments, the main consideration is the distance over which the timber has to be carried to reach the stream, the working basis being a fixed rate for each mile.

The All-Russian Union of Forestry is but a young organization, yet, even in this short space of time, it has succeeded in benefiting the forest workers. In the first place, it inaugurated the use of motor trucks and of rails for transportation of the timber. The equipment of the forest industry with technical appliances makes it possible to fell timber great distances from the stream. Up to the last two years, timber was felled at a distance from the rafting stream varying from half a verst to ten versts. The work beyond this distance, due to the primitive fashion of bringing down timber, would not have paid the extra expenditures of labor, or leave a sufficient margin of profit for the fellers. By introducing these trucks and rails, the Vsekoless made it possible to utilize the far-lying forest plots which up to this time had brought practically no income to the state. The future work of the

**Vsekoless** will include further development of these innovations in the forest industry.

Another benefit which is derived from having a large national organization is the improvement of the condition of the streams and rivers in the territory worked by artels. The Union of Northern Timber Artels formerly worked along this line, but efforts of this nature at present are under the direction of the **Vsekoless** and therefore assume national significance. The condition of the streams presents a most important item of consideration in the forest industry, since these are used for floating timber. Owing to numerous causes, such as the narrowness of the streams, their winding course, shallowness, stone-strewn bed, etc., the streams become obstructed and need constant attention. It is in the interest of each artel to watch over the condition of the streams and to report accordingly. The unions in their turn take this matter up with the **Vsekoless**. The government, through its hydro-technical department, comes to the assistance of the forest workers and improves the condition of the streams. The **Vsekoless**, in its turn, assists in this matter through its technical committee and co-operates closely with the government. In this way the instructors of the **Vsekoless** make a study of the new possibilities of improving streams hitherto unused and enlarging the area of the forest industry.

Another thing accomplished by the **Vsekoless** is wholesale export of timber. The duties of local artels are mainly confined to preparing of timber stock for their respective unions. These duties are completed by bringing the rafts of timber to the tug, their towing to the works or to the place of sale being carried on by the unions. These have the right to make local sales of timber for immediate use. Most of the timber, however, is sent to the headquarters of the **Vsekoless** or kept by the unions for further orders. The **Vsekoless**, co-operating with the **Centro-Soyuz**, makes sale agreements and directs shipment of timber to foreign markets. It is interesting to notice that the credit received by the unions enables them to pay the artels immediately according to the scale adopted. After the sales have been completed, each union receives its share and, retaining for itself only a small commission, pays

the artels the balance of the sum actually realized on their timber. The profits are rather insignificant as compared with the profits of Russia's competitors on the international markets. These competitors are Canada, Sweden, Norway, and Finland. The smallness of the profits is due to the fact that the Vsekoless exports its goods in the most disadvantageous form; that is, in the shape of raw or half-manufactured products. The Swedish or Norwegian traders export finished products, such as doors and window frames. These give large profits and benefit the traders. The Russian co-operators realize this. The most recent movement of the Vsekoless is toward establishing works for treating timber and exporting the finished product. Along with it comes the introduction of Western machinery used for cutting logs. This minimizes the cost of labor and increases the output, and thus brings a still larger income to the co-operators. Undoubtedly the Vsekoless and its numerous branches have a big field ahead. The trade in timber constitutes a prominent branch of international commerce, and through their central organization, the Russian co-operative forest workers are fast becoming an important economic factor at home and abroad.

As has been stated before, pitch makers, workers employed in the dry distillation of wood, and fishermen are connected with the forest artels and are united on a national basis. The service rendered to these organizations by the Vsekoless consists of the sale of their produce and of purchase of articles of consumption. There is no doubt that a national organization of this type has a big field of work among these artels not only by benefiting the workers directly employed in these industries, but also by increasing the produce, so necessary to stabilize Russia financially.

While the industries connected with forestry have been functioning on a large scale and their central union has been spreading its activities over all Russia, other branches of industrial co-operation have also been making plans to unite and form a central body. In the first days of August, 1921, a conference was held in Moscow, and a committee was elected to form plans and summon delegates from every union embracing industrial co-operation in Russia. Due to the sincere

enthusiasm of the co-operators, this congress convened the same year from November 3d to 9th, in Moscow, and represented one hundred and five organizations. One hundred and ninety-five delegates participated in the discussions and succeeded in drawing up the articles of association of the All-Russian Industrial Union. The congress also elected its board and council. Though the formation of this organization was approved, its statutes met with radical opposition. Therefore, the union and its board and council were immediately forced to liquidate.

Complex reasons guided the government in this matter. First of all it felt that the newly elected body, as well as the congress back of it, did not represent the industries of Russia. Most of the delegates who came to this congress were appointed and not duly elected. They represented those co-operative societies which were already in existence. Thus the toiling masses of the workers which were not as yet organized in the co-operatives were not represented. The resolution of the Supreme Council of the National Economy on this score read as follows:<sup>10</sup>

"The method of convening this congress did not guarantee a real and adequate representation to the masses of toilers organized into industrial co-operative societies, and made the congress one-sided and unrepresentative."

This was not, however, the only objection on the part of the government. No doubt the government was anxious to secure a radical representation and, besides, it objected to the mixed organization which was to be formed. This matter of mixed organizations was discussed during the congress and most violent debates took place on this subject. The question arose out of the fact that forty-eight organizations represented were unions which combined credit-industrial co-operatives, agricultural industrial units, and purely industrial units. The question of the composition of the All-Russian Union was of primary importance. Its discussion took up two days, and when it was finally voted on, forty-six cast votes in its favor and thirty-four against it. The government

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<sup>10</sup> A. S. Orloff, "The Revival of the Co-operative Movement in Russia," *The Russian Economist*, p. 1958.



did not object to district and provincial unions of a mixed kind, but it was decidedly against the formation of the All-Russian Union of that type, especially so, since this was radically against its own legal statutes, which tended to recognize each form of co-operation on a separate basis. Combining them, certain privileges given to one form had to be extended to the others. Moreover, the Supreme Council felt that in view of the desirability of quick increase of production, it was necessary to separate each form of national unions, so as to intensify the work of each. The Council says further:<sup>11</sup>

"The draft statutes approved by the congress bear witness to the absence of any desire on the part of the members of the congress to bring the work of the industrial co-operative movement into accord with the existing Soviet legislation, which recognizes the separate existence of various forms of co-operation."

Having annulled all the resolutions of the congress, the Supreme Council of National Economy, however, agreed that the formation of the All-Russian Industrial Union was a thing of prime necessity. Therefore, it suggested that another congress should be convened representing five regional unions and their branches: Siberia, the Urals, Ukraine, Moscow, and Petrograd. This was done in the fall of 1921 when, upon a purely industrial representation, the All-Russian Union of Industrial Co-operatives was formed. These tactics of the government were in accord with its general policy, but possibly the Soviet Government was the more strict with industrial co-operation because it involved workers of the city as well as of rural districts. The government was very anxious to foster the formation of artels and, with its favor, 6,094 industrial artels were organized during that year. During the summer of 1921 no less than twenty-four provincial unions of cottage industries were formed. The veto of the government, which at first aroused indignation, helped to sift the

<sup>11</sup> A. S. Orloff, "The Revival of the Co-operative Movement in Russia," *The Russian Economist*, p. 1958.

sentiments of artels, and their new congress, made up of new delegates, was a truly representative body of the industrial co-operative movement.

While the question of structure was brought home by the annulment of the congress, there were still other questions which the co-operators had to face and decide for themselves. Numerous difficulties of unprecedented nature were besetting the industrial movement. On the one hand there came a greater need for new machinery, while, on the other hand, numerous pseudo-co-operative enterprises found their way into the ranks of sincere toilers, and, utilizing the privileges granted to the co-operators, usurped their opportunities. Since a simple declaration was sufficient for registration, there was a growing danger of having numerous pseudo-co-operative societies in the midst of their activity. The congress discussed this question also, and a special investigation board was appointed to make inquiries concerning new co-operative associations.

Another set of difficulties arose out of the government grants and concessions to trusts in the industrial fields. Though the government was forced to take this action in order to bring reconstruction to the country, yet from the very first there arose difficulties in regard to co-ordinating the activities of these new trusts and of the industrial co-operators. Numerous disputes between these two groups resulted in special legislation on this subject. This struggle was especially felt in the north between the forest trusts and the various branches of the Vsekoless. The Soviet Government ruled that these trusts should give priority to the co-operatives for the supply of timber and other work of the artels, and though the artels were willing to work for the wages set by the trusts, yet the trusts, regarding the co-operators as their deadly enemies, refused to negotiate with them. The government, however, sided entirely with the co-operatives and in several cases even dissolved the trusts, who were unwilling to compromise. One of the trusts which was dissolved was operating under the title of Severo-Smola. It was trying to monopolize the tar export by placing it in the

hands of individuals. After a prolonged litigation, the government forced it to liquidate, this taking place on the ninth of December, 1921. At present a bitter struggle is carried on between the co-operatives and the Volga and Dvina forest trusts. A similar struggle is to be found in other branches of industrial life, but being protected as they are by the government, the co-operatives are well able to take of their interests.

With the introduction of the New Economic Policy, special arrangements had to be made between the industrial co-operatives and the trade unions. During the period of nationalization, the co-operatives as such practically lost their identity and were merged into the trade unions. These, being recognized as the official workers' organizations, were charged with running the Soviet industries. In this task they were assisted by the labor councils. These same trade unions, in their character as organizations embodying the defense of workers, also interfered with the stability of the management. The introduction of the New Economic Policy produced a rapid growth of independent industrial co-operatives and a wide separation of the double function of trade unionism followed. The economic organs embodied in the industrial co-operatives centered their attention upon the management of the industries, upon their output, and upon their technical improvements. On the other hand, the trade unions became engaged in the organization of labor, in raising its material welfare, and promoting the political education of workers. With this division of functions, conflicts between the economic organs and the trade unions are, of course, quite possible, and in so far as such conflicts may arise, they will have to be solved by special arrangements. If they are not solved by peaceful means, direct action by the unions against various organs of the state is not out of the question. But neither the unions nor the co-operatives are looking for any conflict, since they are united through their mutual interest in maintaining efficiency in industry. United through their desire to improve the welfare of the working class, they are united in their service to the people of Russia.

## AGRICULTURAL CO-OPERATION

Special considerations, which influenced the Soviet Government to grant new privileges to the consumers' and industrial co-operatives, also influenced its policy toward agricultural co-operation. While the restoration of free trade and the introduction of the tax in kind tended to stimulate the increase of production, the urgency of the moment required further measures to achieve the much-desired aim. The situation at the end of 1920 was, indeed, precarious. It is described in the following statement issued by the *Narkomzen* (The Agricultural Commissariat) in November, 1920:

"In thirty-two provinces of Soviet Russia, the peasants possess 96.8 per cent of the agricultural area. It is natural, under the circumstances, that the object on which our efforts ought to be concentrated in order to raise the production of food-stuffs is the peasant household, as it is the chief producer of all the agricultural products. If the Soviet Government does not want to gather weeds instead of grain in the near future, heroic measures must be adopted to organize properly the peasant production. It is quite useless to hope that state agricultural enterprises—Soviet and Communistic households—will succeed; they have no significance, but sink in the limitless sea of individual peasant households."<sup>12</sup>

Having taken this and similar data into consideration, the government realized that the introduction of the New Economic Policy based on the tax in kind was insufficient in itself to produce a rapid increase of the agricultural output. Therefore, measures were taken to achieve this purpose. Simultaneously with the revival of the industrial co-operatives, there came a rapid growth of agricultural societies fostered by special privileges granted by the government. The independence of free organization was restored to the agricultural co-operatives by the decree of April 19, 1921. This decree once again permitted the formation of co-operative organizations for "agricultural production, for the disposal and further utilization of these products, as well as for the purpose of supplying their members with the necessary agricultural imple-

<sup>12</sup> *Economic Life*, No. 255, Nov. 13, 1920.

ments, and for the general improvement of the farms." These associations were to be independent of any branch of the Centro-Soyuz, or of the voluntary consumers' co-operatives. In this fashion the consumers' communes, which had been previously set up during the communist régime, were now broken up, and independence of each type of co-operation was once more legally recognized.

Further privileges were granted to the agricultural societies on May 17th. The decree issued on this date allowed the formation of local co-operative associations engaged in home industries and in agriculture by simple declaration. The same applied to the formation of agricultural unions, provided these were confined within the geographical boundaries of a single province. Local organizations and their unions were given the right of free election of their executive board. The government gave up its former policy of appointing officials to supervise these boards. This decree was further augmented in July and August by special provisions granting these societies the right to employ hired labor. The regulations concerning employees of industrial co-operatives were also applied to agricultural societies.

Immediately after the decree of April 19th, the revival of agricultural co-operation took place with such astounding rapidity that, by the time the last decree (August 16th) was issued, the agricultural co-operatives were ready to unite under the banner of an All-Russian Union. A congress of agricultural co-operators was held in Moscow, from August 20th to 24th. Eighty-four delegates were present, representing forty-nine unions. This congress drew up the statutes of the new All-Russian Union of Agricultural Societies and submitted them to the authorities, by whom they were duly approved. The new Selsko-Soyuz became a legal organization. Practically the same articles of association as previously regulated the former Selsko-Soyuz were adopted. The government stipulated only that at least two or three communists should be on the staff of the managing board and the council. But since the board was to consist of nine members of the council of thirteen, these provisions in no way impaired its

constituency, nor necessarily gave the Bolsheviks a controlling vote in the organization.

According to the article of association, there are three objects for the attainment of which the Selsko-Soyuz was formed. They are as follows:

(1) To collect the surplus production of peasant farming and to organize the disposal of this surplus.

(2) To supply the peasant with the means of production, implements, fertilizers, seed, grain, live stock, etc.

(3) To restore agricultural co-operation to its former pitch of production.

In order to achieve these objects, the Selsko-Soyuz re-established its former machinery. The executive staff was divided into fourteen sections supervised by experts and special instructors. After six months of operation, the headquarters' staff of the Selsko-Soyuz consisted of two hundred and fifty employees. In accordance with its former policy of specialization of departments, each section was in charge of a single line of agricultural activity. Special conferences were also held so as to improve methods of production and increase the output. Among the first conferences which took place were the following:

(1) Flax and Hemp Growers' Convention, held Oct. 10-16, 1921. (Fifteen unions took part in this conference.)

(2) Conference of Seed Producers. (Forty local unions participated. Convention was held December 23-24, 1921.)

(3) Potato Farmers' Convention, held January 20-21, 1922.

(4) Fruit and Vegetable Growers' Conference, convened January 23-25, 1922.

These conferences (as well as those which followed) helped the Selsko-Soyuz to receive and execute orders of sales and purchases for agricultural operatives. Thus, from August 25, 1921, to January 1, 1922, the Selsko-Soyuz ordered 290,000,000 rubles' worth of various goods. During the same period of time, the Selsko-Soyuz handled the following sales:<sup>13</sup>

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<sup>13</sup> S. J. Orloff, "Revival of the Co-operative Movement in Russia," *The Russian Economist*, p. 1962.

Sales.	In Poods.
Flax....	292,000
Hemp..	51,000
Starch. .	101,080
Vegetables .	199,606
Grain .	209,750
Fodder .	49,000
Seeds .	143,843
Animal products..	66,520
Dairy products..	2,700
Raw materials..	5,585
Miscellaneous ..	45,636

In order to be able to handle such a volume of sales as well as to make large purchases for its members, the Selsko-Soyuz was obliged to ask the State Bank for credit. Through the co-operative section of this institution, the Selsko-Soyuz received 100,000,000 rubles. But due to the severe depreciation of money, this credit was insufficient for the Selsko-Soyuz. On this ground, it began agitating the formation of a separate agricultural co-operative bank, and in the meanwhile it looked forward to the co-operative credit associations for extra help.

#### THE NEW ECONOMIC POLICY AND THE CREDIT ASSOCIATION

The New Economic Policy, which radically changed the structure of consumers' and producers' associations, also influenced co-operative credit associations. During the rigid period of nationalization, these societies were merged into consumers' communes. For a time, it seemed as if there were no need for any such organizations, since the government was to supply aid to the peasants, thus taking over the former activity of credit co-operatives. At the same time, the Soviet Government took charge of industries and introduced grain monopoly. Former organs of supply and distribution were merged into consumers' communes. The workers, the Red Army, and other groups of the population were to be supplied by these means. In a communistic state, wherein the govern-

ment was to provide for the material and spiritual needs of the workers, there was no room for credit associations. In fact, there was no further necessity for money as a token of exchange.

In order to discredit such money as was still in circulation, and force the population to depend upon the government distributing shops, the Bolsheviks introduced an avalanche of paper money, and thus produced a remarkable depreciation of Russian currency. So great was this manufacture of paper money that it became an important industry, employing 13,000 workers. In 1920 alone, 3,000 tons of rags were consumed for new paper issues. Every month from sixty to seventy freight-car loads of new paper rubles left Moscow for various parts of the Soviet Republic. The following table indicates various issues of paper money in Russia since 1915:<sup>14</sup>

Year.	Paper Money in Rubles.
1915.....	2,611,200,000
1916.....	3,379,200,000
1917.....	18,091,200,000
1918.....	33,951,600,000
1919.....	163,750,800,000
1920.....	943,581,600,000
1921, 4 months...	754,000,000,000

Most of this money was used by the government to purchase foodstuff from the peasants. The tax levied upon agricultural households did not produce the necessary amount needed. On the one hand, the system of requisitions resulted in a smaller output of production. In the second place, there were always ways of eluding the officers and giving less than the full amount of the tax. The government was facing a deficit and was bound, therefore, to buy the balance from the small producers. While consenting to buy the necessary provisions, the government ruled that its paper currency was to

<sup>14</sup> W. Z. Foster, "The Russian Revolution," p. 68.



be used for this purpose. The peasants, of course, objected to the continuous new paper issues, well realizing that this minimized the value of their sales. In order to meet this steady depreciation of currency, the small producers tried to raise prices. This, however, was done without any scientific method, and since the government was always able to increase its paper issues, the peasants were always the losers by these transactions. The government was hoping that, having discredited the use of money tokens entirely, the peasants would be willing to accept unreservedly the communistic régime.

Notwithstanding all these ingenious methods of the Soviet monetary system, the small producers could not be wiped out. At the same time, the government was facing a deficit not only in its food requisitions, but also in the output of its nationalized industries. Lack of machinery, under-nourishment of workers, and lack of business methods caused the industries to be operated at a loss. These reasons, as well as others mentioned before, forced the government to give up, at least for a time, its communistic system and introduce a change in the economic structure of the country. This immediately produced an urgent need of money. The workers were no longer to be paid by the government. Free trade and export abroad made it necessary for the government to stabilize money as the token of exchange. It proposed to do this by the following means: by increasing production, by diminishing issues of paper money, and by levying taxes. Collection of commercial and trade taxes from railways, the post office, the telegraph and tramway lines, and other national utilities could yield about one tenth of the total amount of the paper issues in circulation. The rest had to be achieved through the economic prosperity of the nation, a thing depending largely upon the immediate increase of the output. To this end every means was to be employed.

Immediately there came the question of credit and banking. During the nationalization period, the credit institutions practically disappeared entirely. In the south and in Siberia there were a few branches of the former Moscow Narodny Bank which, due to the exigencies of the civil war, somehow escaped

annihilation. Neither these nor the State Bank were sufficient to serve as custodians of money or suppliers of credit to the much-needed free economic ventures. Co-operatives of all types demanded new loans. These were partly supplied by the former Moscow Narodny Bank which, still operating under the title of the Co-operative Section of the State Bank, declared itself especially interested in supplying credit to co-operatives. Its finances, however, were insufficient to supply large loans, and co-operators formulated plans for an independent co-operative bank.

This, however, met with disapproval on the part of the government. Speaking for the government, the People's Commissar of Finance, Mr. M. N. Krestinsky, puts these objections as follows:<sup>15</sup>

"The question of opening a co-operative bank in addition to the State Bank is a passing one. May we permit the existence of a co-operative bank? Our answer should be that a co-operative bank is politically, as well as economically, of no advantage to the state. Our State Bank will be guided in its granting of credit by general interests and will favor those enterprises necessary for the nation as a whole. The co-operative leaders, on the other hand, will permit themselves to be guided by the needs of their particular co-operative groups. If our State Bank is a monopoly in this field, it will control all money operations with foreign countries, and if foreign capitalists want to invest money in Russia, they will do so through our bank. Should there be a co-operative bank, the granting of such loans abroad would be utilized in the interests of co-operatives, so that while the economic life of Russia might be improved, the ruling system would be weakened. A co-operative bank would be disadvantageous to us also by reason of the fact that this bank would at first exist on the subsidies of the state, which would necessarily involve a loss to us, owing to the depreciation of the ruble. In addition, if the co-operatives have an economic basis, they will also desire to have an equally strong political organization. A co-operative bank would serve as a center for all bourgeois

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<sup>15</sup> *Soviet Russia*, Dec., 1921, p. 262.

elements. With such a bank existing in our country, bourgeois Europe, which admits the necessity of granting relief, would grant this relief through the co-operatives, and thus take away the ground from under our feet."

On July 26, 1921, in accordance with the above expressed views, the government issued a set of regulations concerning the funds of co-operatives. The co-operatives were given the right to raise funds and accept deposits. The government was to give short-term loans, and the State Bank was to create a special department in charge of funds for long-term advances to the co-operatives. All of these loans were to be secured from the Co-operative Section of the State Bank.

However, partly because of the insistence of the co-operatives, and partly because of the self-evident inadequacy of the State Bank to supply the means for the entire co-operative movement, the government rescinded its resolution. The Council of People's Commissars sanctioned the formation of a co-operative bank and thus the All-Russian Consumers' Bank began its operations February 15, 1922. This bank is organized on the same lines as the former Moscow Narodny Bank, the main difference being that it takes care of consumers' co-operatives only. The original share capital was 1,300,000 gold rubles. The State Bank is also a shareholder, having purchased 3,000 shares. The first constituent meeting of the new bank took place February 10, 1922, when the members elected the board. This meeting also recorded the fact that the original share issue was fully subscribed to date. The shareholders decided, therefore, to increase this issue and raise the share capital to 3,900,000 gold rubles. This was done immediately, the shares being sold to co-operative associations only. Most of the directors of the bank are also members of the Presidium of the Centro-Soyuz and thus the operations of these two organizations are closely connected.

The co-operative section of the State Bank resumed also its relations with those scattered branches of the Moscow Narodny Bank which escaped nationalization. Through these branches, as well as independently, the co-operative section of the State Bank fosters the revival of the co-operative associations. In 1921 the State Bank gave 509,930,000,000

(current) rubles to various consumers' co-operatives. Help rendered to other types of co-operation was much smaller. It was obliged to refuse numerous applications, and this indicated the need of forming co-operative credit associations.

In view of this necessity, a decree was passed on January 24, 1922, according to which credit associations were permitted to be formed on a co-operative basis. The minimum membership was to be fifty, and three or more such associations were allowed to form a union. Only a simple declaration for this purpose was required, provided this union was to operate within a single district. If these operations were to spread over a province or extend to a regional division of the country, special permission from the Soviet authority was required. This applied both to the operations of a single credit co-operative or to a union of such, and resulted in a speedy revival of agricultural and industrial credit associations, which operate very much along the same lines as formerly.

During the year just past, both the Agricultural All-Russian Co-operative Union and the Industrial Co-operatives agitated the formation of a central All-Russian Bank which would unite and co-ordinate the activity of credit associations. The Selsko-Soyuz at its annual congress (January 29, 1922) passed several resolutions on this subject and also appointed a bureau which was to prepare plans for such a bank. Similar resolutions were also passed by the All-Russian Industrial Congress. A sum of 1,000,000,000 rubles was voted on to be placed at the disposal of such a bank. This resolution as well as others of this Congress having been annulled, the opening of the bank was postponed. In the meantime the credit co-operatives have already united on a large scale and are efficiently serving agricultural as well as industrial enterprises.

#### ALL-RUSSIAN CO-OPERATIVE INSURANCE UNION

One of the most interesting phases of the recent co-operative movement is the launching of the All-Russian Co-operative Insurance Union. This scheme of setting up a national insurance organization has a history covering a long period of time. In this respect Russia was far behind Western Europe. The

English co-operators for a long time past have had co-operative insurance promulgated by the wholesale societies. But in Russia, because of numerous problems which stood in the way of centralization and because of the World War and the subsequent turmoil of the Revolution, the co-operators found it difficult to organize a National Co-operative Insurance Union. One of the first organizations to promote co-operative insurance was the Moscow Narodny Bank. In October, 1917, during the first days of the Bolshevik Revolution, the Moscow Narodny Bank initiated insurance transactions. During the period preceding the nationalization of the bank and practically covering one year's time, the bank wrote 376 policies for a total of 78,500,000 rubles.

Following the example set by the Moscow Narodny Bank, the Central Union of all Russian Consumers' Societies—that is, the Centro-Soyuz—also formulated an insurance department. Its operations began in 1918 and from June of that year till the first of January, 1919, the time when various Bolshevik decrees changed its original functions, it succeeded in writing 995 insurance policies for a total sum reaching over 60,000,000 gold rubles. The Centro-Soyuz offered insurance of fire and transport risks. It insured all the property, real or movable, of the Consumers' Unions and of individual locals affiliated directly with the Centro-Soyuz, and set aside at the beginning of 1918 a sum of 2,000,000 rubles for the special insurance fund. The maximum risk guaranteed by this organization was 250,000 rubles.

In 1917, the Centro-Soyuz introduced a scheme of health insurance. It was recognized that the best way to organize this medical assistance was to act in common with the municipality. But the latter proved unable to start the necessary service hospital stations throughout the town. The practical realization of the scheme was taken over by the Centro-Soyuz and introduced in Moscow in the early part of 1918. The scheme was based on a system of medical attendance at the joiner shops, chemical works, mechanical works, shoe factories, etc. All co-operative organizations of Moscow formed a common "Medical Council" with an executive bureau called "Medico-Hygienic Bureau." The city was divided into dis-

tricts, each one having one service station. These hospitals were to be controlled by the co-operatives, all co-operative employees and workingmen of the districts retaining the right to use it. All workers were taxed ten per cent of their total yearly earnings for the health insurance. Six per cent of these funds was to go toward aid in money grants and the remaining four per cent for medical assistance. The following statistics were given by the Centro-Soyuz in 1918:<sup>16</sup> Number of workers, 8,529 persons; Total wages, 37,102,835 rubles; Money grants, 2, 226,170 rubles; Medical assistance, 1,484,113 rubles; Average, per man, 174 rubles.

The maintenance of hospitals in each district was done by the co-operative organizations employing the workers. Consequently, the sum of one hundred and seventy-four rubles a worker was sufficient not only to promote health insurance, but also to establish various sanitary precautions and to secure better working conditions for co-operative workers in general. This scheme worked for about a year but was then liquidated, due to the nationalization of industries and of restrictions applied to co-operative organizations in general.

During the period of centralization and immense growth of the co-operative movement, which occurred during the first year of the Revolution, several co-operative unions also established insurance departments and wrote policies covering risks connected with their own form of co-operative activity. Thus the Union of Siberian Creameries insured the transportation of butter and in this connection installed immense refrigerators for storing it. Then, again, the Central Union of Flax Growers, organized in 1917, established insurance to cover risks of transportation and storage of flax. This union also issued policies covering fire insurance of property belonging to locals affiliated with this central organization. The first insurance policy was issued in April, 1918, and during the first nine months of the union's operation it issued the following policies:<sup>17</sup>

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<sup>16</sup> *The Russian Co-operator*, March, 1919, p. 42.

<sup>17</sup> F. E. Lee, "The Russian Co-operative Movement," p. 59.

Policies.	In Rubles.
Risks on flax.....	92,000,000
Other goods.....	21,000,000
Real estate and machinery.....	1,000,000
Total.....	114,000,000

While these various central organizations undertook to establish insurance departments, yet in order to carry on this work without feeling the burden, they reinsured the policies they issued in some other insurance company. Eventually, time seemed to be ripe for starting a special Central All-Russian Insurance Company. Finally, as the result of this sentiment, there arose the First All-Russian Co-operative Insurance Union, organized in October, 1918. In order not to interfere with the workings of the insurance departments already connected with some of the unions, the newly organized union was to serve only as the reinsurance bureau for large central organizations. However, if any local or any union desired to carry a larger policy than 250,000 rubles, they could insure any amount over that with the All-Russian Insurance Union. This provision helped to avoid any conflict, since 250,000 rubles was the maximum for which the Centro-Soyuz or any other organization was willing to insure. This Insurance Union issued policies covering fire risks, transportation, including storage, and real estate of the co-operatives. One of the aims of the new organization was to promote insurance education among its members, and to improve the means of transportation so as to minimize the risk. Among other things, it insisted on the erection of fireproof houses and storage plants.

This insurance company was based on co-operative principles. Its original share capital was composed of 2,600 shares of 100 rubles each, bringing the initial capital to 2,600,000 gold rubles. The following was the distribution of these shares:

Organizations.	No. of Shares.
Moscow Narodny Bank.....	1,000
Centro-Soyuz. ....	500
Central Union of Flax Growers...	300
Zakupsbyt. ....	200
Other organizations ....	600

Besides purchasing 1,000 shares, the Moscow Narodny Bank also turned over its entire insurance business to the new organization. The liability of the Insurance Union was unlimited, while that of its co-operative members equaled to three times their shareholdings. Thus as an example, the insurance liability of the Moscow Narodny Bank amounted to 3,000,000 rubles.

A special provision was made to create a reserve capital out of the net profits. Twenty per cent of these were set aside yearly for that purpose. The insurance rate was lower than that of the other companies. This served as an inducement for reinsurance through this channel. Eight per cent was guaranteed as dividends to the shareholders. The rest of the money accumulated was to go toward augmenting the reserve capital and to promote co-operative education.

During the period of nationalization, when all types of co-operatives lost their independence and became a part of the state machinery, the All-Russian Insurance Union disappeared entirely, as its functions were useless in a communist state. But with the introduction of the New Economic Policy, the All-Russian Union reappeared again. It sprang to life in December, 1921, and since then has gained new strength and vigor. It adopted its former articles of association with the approval of the government and commenced its operations in January, 1922. It is obligatory for unions desiring to insure their property through this channel to purchase shares of this organization in proportion to the size of each co-operative. Thus an All-Russian union must purchase two hundred and



fifty shares, a regional and a provincial union not less than fifty shares, and a district union at least twenty-five shares. The rate of insurance premiums is still the same as formerly. They are less than of the other companies by at least fifteen per cent.

Besides the great saving which this method of insurance represents, it is entirely favored by the government, which sees in this method an easy mode for the eventual transition to state insurance. Therefore, besides encouraging it by various decrees, the government seeks to insure its own real and movable property and cattle through this organization. This Insurance Union insures private property, too, but its shares are available only to co-operative societies. It has made further provisions for payments in paper money. The rates are to be such as officially declared on the day of the payment. The standard was set at twenty-five gold rubles per share.

#### THE NEW ECONOMIC POLICY AND SIBERIAN CO-OPERATION

While the co-operators of European Russia have gained ground in every branch of national economy, the co-operators of Asiatic Russia have also progressed. Due to the general policy of the Soviet Government, Siberia is no longer one geographical unit. Its western territory is marshaled under the title of Soviet Siberia; Turkestan, formerly connected with it, is now an autonomous republic; and the eastern provinces, including Kamchatka and Sakhalin, are included in the so-called Far Eastern Republic. Considering that the entire space of Siberia totals 4,931,883 square miles, such division simplifies the task of governing so vast a territory. This division was accomplished along the line of natural geographical division, accentuated by the grouping of the population on its two extreme borders. On the other hand, this division, following as it did the revolutionary period, brought about the need of reconstruction of the co-operative movement. The recent period presents numerous points of interest, and since Western Siberia is working out its own salvation inde-

pendently of the Far Eastern Republic, the co-operative movement of these two parts must be treated separately.

When the New Economic Policy was first introduced into Western (Soviet) Siberia, all of the co-operatives were incorporated into the Centro-Soyuz, whose machinery was based on the decrees of March 20, 1919, and January 27, 1920. The introduction of the new decrees of April 7, August 16, and October 26, 1921, gave new freedom and opportunities to the co-operators. But the revival took place very slowly. The locals introduced shares and began accepting deposits in various ways, stimulating the interest of the population toward active participation in co-operation. The outward machinery of the Centro-Soyuz still remained the same. Locals involved all consumers, since compulsory registration was still enforced. A special fund was set aside to enable the indigent to purchase at least one share, and thus shareholding became obligatory. The interest on shares was entirely discontinued, which was in keeping with the similar regulation in Soviet Russia. These locals were affiliated under the banner of the Centro-Soyuz with provincial unions of consumers. These unions in their turn were merged into the Siberian division of the Centro-Soyuz. So far the Centro-Soyuz has been unable to develop a large independent turnover. It executes government orders on a large scale which in 1921 totaled as follows:<sup>18</sup>

Products.	In Poods.
Grain.....	3,200,000
Butter and cheese...	65,000
Meat.. . . . .	800,000
Fish.. . . . .	107,000
Vegetables.....	350,000
Hides.....	120,000

Late in December of 1921 these provincial unions held a convention at Novonikolaevsk. The reports of the delegates

<sup>18</sup> *Far Eastern Co-operation*, p. 55.

clarify the achievements as well as the difficulties of the Siberian co-operators. They indicated a growing tendency to separate the producers' co-operatives from the consumers' association. The communists, however, controlling the workers' co-operatives, prevented a wide separation of these activities. Though a separate organization uniting Siberian labor co-operatives was formed, it affiliated with the Centro-Soyuz. It serves as an instructors' bureau for the labor co-operatives. But party control was not so powerful in rural organizations, and the discontent was more noticeable. Partly to meet this situation, and partly to stimulate production, the Siberian Centro-Soyuz allowed the formation of the Union of Siberian Creameries. Up to the end of 1921, these were incorporated in the Centro-Soyuz, but by this decision their former autonomy has been returned to them. A special bureau was also created to direct the formation of locals of a purely agricultural type. This bureau is co-operating with the board of the Union of Siberian Creameries. The year 1922 marked a quickened revival of industrial and agricultural associations uniting under separate unions, and largely allied to the Centro-Soyuz through their export business.

Influenced by this increasing tendency to recreate industrial and agricultural associations, and encouraged by the revival of the Union of Siberian Creameries, the formerly nationalized Zakupsbyt began an agitation for the revival of its independence. This agitation found local support from the co-operators, since the Centro-Soyuz, in spite of all recent changes, remains very unpopular in the rural districts of Siberia. A vital support to this agitation was also given by the Zakupsbyt's foreign offices, which have escaped nationalization.

Eastern Siberia came under the sway of Soviet ideas only late in 1920. This part of Siberia, due to purely geographical reasons, was given autonomy under the name of the Far Eastern Republic, though in practice it remained closely allied to the rest of Siberia and to European Russia. Outside of the Centro-Soyuz and the Moscow Narodny Bank all former links uniting the co-operatives of the Far East with Western Siberia and with Russia disappeared in the process of all

those changes which took place in the Siberian co-operation since 1918.

The co-operators of the Far Eastern Republic found themselves, at the end of the civil strife and the inauguration of their republic, separated from the rest of the world and bound to work out their own salvation. Their local organizations were in very bad shape, having gone through all the vicissitudes of the war. These were to be reconstructed in the midst of new difficulties brought about by the zealous communists who, trying to "catch up" with Soviet Russia, began introducing various measures imitating the Russian decree of March 20, 1919, and January 27, 1920. These measures were being passed in the early part of 1921, when Russia had already abandoned her former decrees, and in the light of her unfortunate experience introduced the New Economic Policy. Thus, having come under the influence of the Soviet power much later than the rest of the country, the Far Eastern Republic became "*plus royal que le roi*."

The revolutionary wave spread throughout the new republic, and communists, even without waiting for the formal decrees, demolished the local structure of the co-operatives and introduced new "ideas." In order to make a uniform stand against these formal and informal measures, the co-operatives of the Far Eastern Republic held a convention March 10-26, 1921. It convened in Chita and included sixty-eight delegates representing thirty co-operative organizations. Most of the delegates complained bitterly about their losses incurred during the years of war. In spite of all handicaps, economic wealth is still found in the territory of the republic. Large fields of grain, coal mines, mineral deposits, salt lakes, immense forests and fisheries—all these constitute resources of the country. Since the chief occupation of the people consists of agriculture, mining, hunting, and fishing, the co-operatives are able to produce, collect, and export all kinds of grain, minerals, timber, tar, fish, and furs. The co-operators are not alone in this field, and for years had to combat foreign capitalists. This was hard to accomplish, since the former government gave large concessions to foreigners. Thus, in Kamchatka, wealthy in rice fields, forests, and fisheries,

ninety per cent of the fish export was in the hands of a few Japanese firms. Luckily for the co-operators, this trade concession given by the former czar in 1907 was terminated, and the co-operators stood a good chance to acquire it for themselves. Similar possibilities lay in other provinces, especially along the line of the fur trade.

The picture thus formed from the various reports of the delegates enabled the convention of 1921 to get a clear idea not only of natural resources, but of actual assets and possibilities at the disposal of the co-operators. In order to secure the smooth working of co-operation, this convention worked out a project of model laws and submitted it to the People's Commissariat of Supplies for approval. Another thing that seemed to hinder the co-operatives was their direct incorporation in the Centro-Soyuz. It was pointed out that due to geographical reasons and the autonomy of the republic, the co-operatives of the Far East had no influence upon the headquarters of the Centro-Soyuz in Moscow. Therefore, they could not present their special needs to the main office and could not influence the direction of the co-operative movement. Consequently, the Centro-Soyuz in the Far Eastern Republic was a foreign institution and could not very well be in touch with those special problems which were so keenly felt by the co-operatives. Recognizing the Centro-Soyuz as the official organ, and one serving the export interests of the entire nation, they were willing to deal with the Centro-Soyuz for trade purposes. But in order to serve local interests of the co-operatives, the convention voted to establish a special bureau which should be a permanent body and which should work hand in hand with the Centro-Soyuz. Whereas the office of the Centro-Soyuz was still a purely communistic body, this new bureau was chosen on the basis of service and knowledge of the co-operative movement. It began its operations immediately after the termination of the convention.

The model co-operative law drawn up by the convention and submitted to the People's Commissariat of Food Supplies underwent numerous changes in that department and was brought still nearer to coincide with the Soviet decree of March 20, 1919. About the same time that these regulations

were made public, there came authentic news of the New Economic Policy and of the new co-operative legislature introduced into Russia. In the light of this striking contrast, the co-operatives refused to submit to the decision of the Far Eastern Commissariat of Food Supplies. It was then that the Co-operative Bureau made its first stand, and in a series of meetings and resolutions agitated against the Soviet communistic régime. At the end of the summer a compromise was reached, and the new co-operative law practically coincided with the recommendations of the March convention. The board of the Far Eastern division of the Centro-Soyuz officially accepted this new law on the twenty-second of November, 1921. It was immediately put into universal operation.

The substance of this general law is as follows:<sup>19</sup>

(1) Shares, once prohibited by various decrees, are made obligatory.

(2) Shareholders are to decide upon the structure and machinery of their own organization. "The integral or the mixed form, formerly made obligatory by the Soviet decrees, is no longer to be enforced, since life itself proved the impracticability of this type of co-operation, but also because the Eighteenth Article of the Fundamental Law of the republic grants freedom of forms of association.

(3) Co-operatives of one section may form as many unions as they see fit, the law enforcing only one union for each section having been repealed.

(4) Local co-operatives are no longer subjugated to the orders of the Commissariat of Food Supplies.

(5) Registration of consumers to remain obligatory.

These provisions, therefore, practically gave all their former privileges to the co-operatives. Registration of consumers, however, is still enforced. The sting of this regulation was taken away by the reintroduction of shareholding. In fact, by making the registration obligatory, and yet by forcing members to purchase shares, it practically involved the entire

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<sup>19</sup> "History of Co-operative Legislature of Far Eastern Republic," *Far Eastern Co-operation*, p. 19.

population in the active participation of the co-operative movement. As evidenced by these regulations, the Far Eastern co-operatives were no longer to be merged into one single co-operative consumers' society. These provisions, however, did not touch upon the foreign trade which was still to be retained by the Centro-Soyuz.

All these regulations met the approval of the co-operatives, and by the time the second co-operative convention was held in December of the same year, this matter was universally settled. The agenda of the new convention promoted a possible formation of a new central union which would, in its capacity of the union of unions, take the place of the co-operative bureau formerly established by the March convention. It was intended that this bureau as a permanent body was to work hand in hand with the Centro-Soyuz, but the latter refused to do so. In the light of this unfriendly attitude it was hard for the bureau to act, and in fact, it was unable to carry out many of its duties and reconstruct it into a type of association with which the Siberian co-operators were more familiar; namely, a central union. For this purpose the convention of December, 1921, was called together and convened as previously in the city of Chita.

The relations between the local Centro-Soyuz and the new convention were very unfriendly, and, practically within the first few hours, this led to the withdrawal of the official delegates of the Centro-Soyuz. Their immediate reason for this action was their objection to the mixed composition of this convention. The officers of the Centro-Soyuz also insisted on personally looking over the mandates of the delegates and excluding such as did not represent purely consumers' associations. These demands were flatly refused, because co-operators denied the dictatorial rights of the Centro-Soyuz of looking through the mandates, this being the privilege of the convention. Moreover, all the organizations present were invited by the Co-operative Bureau and had the right of being present. Furthermore, since the object of the convention was to form a central union of unions, it was desirable to have all the leading organizations present.

When the delegates of the Centro-Soyuz withdrew from the

convention, some of the delegates declared that without the presence of the Centro-Soyuz the rulings of the convention would be illegal. Since the convention was unwilling to give in, these delegates withdrew and formed a separate convention under the leadership of the Centro-Soyuz, so that in the same city, at the same time, two official co-operative conventions took place. The questions which came up for discussion were identical. While one group voted upon broad principles, the other group voted along party lines. The split, therefore, boiled down to the dictatorship of the communist party over the entire co-operative movement. Out of the fifty-eight delegates, thirty-three remained in the original convention, twenty-five delegates going over to the Centro-Soyuz. It is interesting to notice that the split, besides being between communists and non-partisans, was also between the city co-operatives and rural organization. Practically all the delegates who withdrew belonged to the city co-operatives, whereas those opposing the dictatorial attitude of the Centro-Soyuz were members of rural co-operatives. This, once again, illustrated the unpopularity of communism among the peasants.

After the withdrawal of the Centro-Soyuz and its partisans, the remaining majority of delegates proceeded to discuss the desirability of the formation of the Central Far Eastern Co-operative Union. In the light of the nine months' experience of the Co-operative Bureau, and due to the immediate actions of the Centro-Soyuz which made it still more unpopular, the convention unanimously voted to form this new union. Articles of association were adopted and the new union received the name of Dal-Soyuz (Far Eastern Union). Its function was to unite unions already in existence in the republic, and to foster in every way the growth of co-operation in that region. It was to be a permanent body, which, through its various committees and non-trading departments, should assist educational enterprises and be the guiding light of the movement. Its export trade, however, was to be turned over to the Centro-Soyuz.

In the meanwhile, the convention, under the leadership of the Centro-Soyuz, decided the same question in an entirely different way. It ruled that there was no need for the forma-



tion of such a union. But since the make-up of the Centro-Soyuz was such as made it incapable of serving the local co-operative movement, the Centro-Soyuz was to admit representatives of various organizations as an advisory board. Besides, the Far Eastern Division of the Centro-Soyuz reversed its former approval (of November 22d) of the Co-operative Law and began introducing new changes. The two conventions sent in their reports to the central office of the Centro-Soyuz in Moscow. The board of this organization made the following ruling:

(1) The formation of the Dal-Soyuz is sanctioned, provided that the entire export trade is carried on by the Centro-Soyuz, and that the latter retains the right of representation in the Dal-Soyuz.

(2) The new organization is to be affiliated with the Centro-Soyuz on the same basis as the Wukospilka (Ukrainian Union) and other regional unions.

(3) The Far Eastern division of the Centro-Soyuz is to retain its offices and to continue its export trade on friendly terms with the Dal-Soyuz.

The Moscow office thus indicated the desirability of placating the Dal-Soyuz and of establishing friendly relations with this organization. The co-operative law as approved on November 22 remained in operation and the breach of the December convention is being gradually overcome. The Dal-Soyuz began operating in the early part of 1922, and there is no doubt that it is destined to be a big economic factor in the life of the Far Eastern Republic.

#### THE RESULTS OF THE NEW ECONOMIC POLICY

The recent co-operative movement in Russia and in Siberia indicates that the process of reconstruction, which started in the early part of 1921, is still going on. Numerous economic difficulties, such as lack of machinery and credit, are being overcome. The period of nationalization, which liquidated the old co-operation, psychologically influenced the structure of the present-day movement. Consumers' communes, unpopular and detrimental though they were from the economic

standpoint, indicated a possibility of doing away with that rivalry which formerly arose between organizations operating in the same district. Though events discredited the value of consumers' communes, yet, on the other hand, the co-operators are unwilling to go back to the other extreme and reintroduce the old, independent structure of each type of co-operation. Thus the example set by the communists stamps even the voluntary co-operative movement of to-day.

The question of structure is uppermost in the minds of co-operative leaders. The government, through its legislative measures, favors the structure of All-Russian unions as based upon the single line of activity. But the structure of locals and provincial unions is left entirely to the decision of the co-operators. There has always been overlapping of the one type of co-operative activity over the other, and there lay the germ of rivalry. The present-day popularity of the conferences (Soviets) helps to do away with much of the old friction. There is a decided tendency to form "mixed" locals and unions, which help to correlate the co-operative activity. The structure, as yet, is far from being universal, as numerous plans are being tried out. In general, the tendency to work out a plan uniting co-operation into one complete whole is manifest everywhere.

The period of nationalization forced another valuable principle upon the co-operators. In the pre-revolutionary period, co-operatives were independent associations and worked out their plans on a purely commercial basis. The Communist Government forced them to the other extreme, and changed them into mechanical parts of national economy. From that extreme, so detrimental both to the country and to themselves, the pendulum now swings toward the happy medium. The co-operators are privileged to work hand in hand with the government for the economic welfare of the community as a whole. The old independent, individualistic mode of thinking is gone, and there is a deeper correlation between the government and the co-operatives. This unity is manifest in various concessions whereby the government protects the co-operatives against the machinations of the capitalistic ventures in Russia.

It is also manifested by the harmony which prevails in the foreign trade which the co-operators carry on for themselves as well as for the government. The New Economic Policy showed definite beneficial results and, therefore, the government restores the formerly liquidated organization.

This unity between the government and the co-operatives was especially manifest during the acute famine which brought new disaster to Soviet Russia. It found the Centro-Soyuz in the front ranks of those who were fighting this calamity. The Centro-Soyuz called upon all co-operative organizations of the republic to organize relief work in the famine area by creating special reserve stocks of goods and funds and by organizing special productive work to meet the needs of the moment. Its executive board was instructed by the congress of delegates to set aside for the purpose of relief a certain percentage of the goods belonging to this organization. With the help of the state, the Centro-Soyuz was to carry on the exchange of goods on especially favorable terms in the provinces which were suffering from failure of the harvest. To assure success to the work of co-operation in the famine areas, it was decided that the Co-operative Section of the People's Bank should grant special long-term credits for the organization of undertakings that might serve to facilitate the fight against the famine, sustain the economic life of the affected area, and prevent its falling into decay.

The congress also addressed an appeal to the co-operators of Western Europe, asking them to render what help they could to the population of the regions suffering from the famine. Mr. May, the general secretary of the I. C. A., speaking for that body, declared that as the direct result of that appeal no less than £7,000 was given by that body to famine-stricken Russia. In addition, some of the affiliated branches sent relief directly or through the national fund. Famine relief to Georgia (Caucasia) was also rendered through the co-operatives. In 1921, the International Co-operative Alliance donated £500 to that cause. The following year a special delegation was sent to Tiflis and was instructed to give £1,300 for distribution through the local co-operative

**organs.** Besides raising the distributing funds in the famine area, the Russian co-operators united to support special homes for children from the famine area. One of such homes run at the entire expense of the Moscow co-operators houses four hundred and fifty children.

Thus, the Russian co-operative movement, having gone through the vicissitudes of the World War, the Revolution, and the communistic régime, tends to become at present a powerful economic factor. Those few restrictions which still hamper its free development are due to the interests of the Communist Party. Forced as the government was to introduce this policy, it did so in order to increase production. The communists, however, by adopting new tactics, in no way gave up their plans to promote their political ideas. In fact, though adopting a new régime, which in itself was a radical departure from communism, they yielded to these changes for a time only, fully intending to go on with their work and prepare Russia for a final adoption of the communistic régime. Step by step, the co-operative movement began regaining its old influence and freedom. But at the same time, the government doubled its political propaganda among the co-operators, trying thus to direct their activity. This propaganda influences the members of the Communist Party to take an active part in the co-operative movement. The communists try to serve on various committees so as to secure the support of the co-operatives.

The general outline of the government's activity—reasons for it and methods employed—was presented at the twenty-second session of the Third World Congress of the Communistic International, and adopted July 10, 1921. Quoting from that source we read as follows:

"The old co-operatives pursued the path of reformism and avoided the revolutionary struggle. There are even now many co-operatives which consist of bourgeoisie. Such co-operatives will never place themselves on the side of the proletariat in the revolutionary struggle. The task of the communists, in the co-operative movement, is to do as follows:

- (1) To propagate communist ideas, and,
- (2) To transform this movement into an instrument of

the revolutionary class struggle, without detaching the local societies from the national organization as a whole."<sup>20</sup>

According to the same document the activity of the communists will consist in formation of communistic groups within the co-operatives, whose aim it will be to organize a central bureau of the communists' co-operatives in the country. These groups, as well as the central bureau, are to remain in constant touch with their representatives on the co-operative committees. This central bureau is to work out tactics in detail in order to lead the movement in the most efficient way toward the universal adoption of communism.

Nor were these tactics to be applied to Russia alone. Similar tactics were to be introduced into the co-operative movement of the entire world. Besides agitation and propaganda of communism by printed word and mouth, the congress adopted a resolution to carry on an active struggle for the emancipation of the co-operatives from the leadership and the influence of the bourgeois compromiser. The material support given the Communist Party was to be not only in direct help of part members, but also through the press, and by timely aid given to strikers and to locked-out workers. Such help was to be extended on a large scale. The alliance of the co-operatives, therefore, was recommended not only between the various branches of the Communist Party, but also between those and the industrial unions. Therefore, "taking into consideration the important part which the revolutionary co-operatives would play during the epoch of a proletarian revolution, the Third Communistic International advises the parties, groups, and organizations to carry on an energetic propaganda for the formation of communist groups inside the co-operative societies, in order to transform this movement and bring it into union with the Revolutionary Trade Unions. The congress, therefore, instructs the executive committee of the Communist International to organize a co-operative department, whose duty it shall be to promote the tasks here enumerated; this department shall call meet-

<sup>20</sup> Theses and Resolutions of the Third World Congress of the Communist International, pp. 151-152.

ings, conferences, and congresses on an international scale for the realization of these co-operative aims."<sup>21</sup>

However, in spite of all these declarations, common sense and the self-evident needs of the times make it imperative to lay aside extreme propaganda. This conflict between the party interest and economic welfare is seen right along. First of all, though every effort is made to train the communists for positions as instructors, the majority of the instructors at the present time are either neutrals or members of other parties. In the south, for instance, in the All-Ukrainian Union of Consumers, the following situation is observed: "Of the total number of co-operative instructors, only fifty were communists, fifty-one belonged to other parties, and seven hundred and sixty-eight were called no-party people. This ratio seems to continue and penetrates Ukrainian co-operation, and to a certain extent predetermines co-operative work in Ukraine."<sup>22</sup>

The commercial interest prevails, and only through educating a new set of leaders can the government hope to guide these commercial interests. Ukraine is not the only regional union which has this problem. Provincial unions as well as local organizations have this problem to contend with. Even such a central organization as the Moscow Co-operative Union which, in 1922, consisted mainly of labor organizations, recorded only 35 per cent of its governing board as communistic. The rest of the board members are non-partisan. However, to be a member of the party it requires a pretty thorough knowledge of communism, and a probation of two years. It is not as easy to become a member of that party as of our American political parties which enroll a man because he is willing to vote on a particular ticket. Consequently, besides the regular party members there are numerous numbers of sympathizers serving on committees, and the control of communists is much stronger than indicated by the percentage given above.

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<sup>21</sup> Theses and Resolutions of the Third World Conference of the Communist International, p. 153.

<sup>22</sup> *The Russian Economist*, p. 1964.

This explains why, in spite of the great majority of non-partisans, the communists get elected in a regular way, and this at times reveals a curious situation: non-partisans represented by communists. This in its turn, though it facilitates government control, often leads to resolutions of central bodies which are in no way representative of the majority sentiment in the locals. However, whenever such resolutions pass, they refer only to the political sentiment and remain more or less on paper only. Hard common sense is guiding the co-operatives, and is forcing the idealists and communists on the boards and in the ranks to follow the example of the government and set aside the rigid doctrines of communism in order to build up the prosperity of the country. This policy is a direct response of the times and is emphasized over and over again.

This policy influences the attitude of co-operators toward the Communistic International. Whereas at first the communists were unwilling to have the All-Russian unions ally themselves to the bourgeois unions of the West, they are now resolved to allow these alliances. This, of course, is partly due to the radical changes in Europe. Though there was a period when Europe seemed to be on the verge of a Bolshevik revolution, by the end of 1921 this atmosphere was replaced by a severe reaction. Consequently, Russia had to postpone, if not give up, the propaganda of alliance of radical groups. Russia was badly in need of foreign trade and trade with foreign co-operatives could be established on a neutral basis only. Consequently, in one way or another, Russia had to adopt, at least for the time being, a policy of neutral relations. Influenced by these considerations, the Soviet Government was anxious to have Russian co-operators resume international relations with the co-operators of the West.

One of the most interesting incidents which illustrates this attitude was seen at the November congress of the Centro-Soyuz in 1921. One of the least known co-operators, but one who was a rabid communist, made a motion concerning the communistic international and the international co-operative movement. The motion read in part as follows:

"The council of the Centro-Soyuz recognizes that it attaches

particular importance to the development of the work of the organization of the communistic and revolutionary elements of West European co-operation, and that the presence of delegates of the Russian co-operative unions in the central committee of the International Co-operative Union in no way implies the solidarity of our delegates with the general opportunistic policy, adhered to by the present representatives of the co-operatives organizations in Western Europe, who have assumed a counter-revolutionary attitude. Therefore, the meeting proposes that its representatives should draw a distinct line of demarcation between their own policy and that of Western Europe."<sup>23</sup>

A resolution of this nature is very much in accord with former resolutions of the co-operatives who, during the period of nationalization, were controlled by the communists. However, this resolution found severe disapproval from the presiding officer who requested Mr. Koromarov, the author of the resolution, to withdraw the motion. Mr. Koromarov refused to do so, and the motion was voted on, with the result that it was passed by a majority of votes. However, this resolution remained on paper only and in no way complicated the practical problem of harmonious relations with foreign co-operatives. The Russian co-operatives carry on the export and the import trade, having resumed commercial relations with Western Europe and America. After many delays due to prejudice and misrepresentation, the Russian co-operatives have also been admitted to the International Co-operative Alliance.

<sup>23</sup> *The Russian Economist*, p. 1965.



## CHAPTER VIII

### INTERNATIONAL RELATIONS

Though the world at large knew very little about the Russian co-operative movement, international relations were established over twenty years ago. The first co-operative association which appeared on the international markets was the Union of Siberian Creameries. European Russia consumed only five per cent of the total Siberian output and therefore the Siberian co-operators opened negotiations with foreign countries. Up to the beginning of the war Germany used 39.1 per cent of Siberian butter, England 38.4 per cent, Denmark 1.1 per cent, the rest being divided among other countries. Up to the formation of the Union of Siberian Creameries these sales were conducted through various agents. When the union was established in Siberia, due to its lack of experience and being a total stranger in the international market, it made many mistakes. The chief one of these was the formation of a special London company which was to conduct all negotiations between the union and foreign wholesale houses. The union was a shareholder of this company and being only a small stockholder was unable to protect its own interests.

Finding that they had made a mistake, the Siberian co-operators decided to run their butter export in some other way. Since an independent conduct of this business necessitated large expenditures for cold storage, etc., they tried to combine with other co-operative organizations engaged in wholesale butter export. With this object in view the Union of Siberian Creameries approached three Australian co-operative societies and invited them to a conference. At this meeting, which took place in 1917, Russian interests were represented by the Moscow Narodny Bank and by the Union of Siberian Creameries, whereas Australia was represented by two Vic-

torian organizations, and one from New South Wales. A New Zealand co-operative society was also present at this meeting, but the Canadian organizations invited to participate declined to do so, saying that whenever a union for export would be formed, they would be ready to take an active part.

This conference brought negative results, mainly because there was lack of co-ordination between the Australian organizations. Nevertheless, numerous facts of interest were brought to light. It was found that the butter industry in Australia was a seasonal occupation and consequently it was brought to London during the month of November and was sold by the end of February. The Siberian butter industry was also seasonal, but due to the fact that geographically it was situated in a different hemisphere, its export business to London came during the spring months and was concluded by fall. Consequently the same office staff could be employed, and utilizing the same storage facilities, the expenses would be minimized. But since the Australian organizations were competing with each other, it was impossible to come to any agreement and the conference broke off, having failed to accomplish its object.

With the opening of 1918, the Union of Siberian Creameries appeared once again on the foreign market. This time, however, as an independent firm it opened an office of its own in London and planned to export butter via Archangel. However, difficulties arising out of the civil war prevented the carrying out of this undertaking. At the same time, the union felt a keen need of manufactured articles, and in order to purchase these, and not having sufficient money (in gold), the union began to collect raw materials and export the same. Thus, though having opened a London office for butter export, during the first year, the Union of Siberian Creameries exported wool, hides, and furs. Some of this export (via Vladivostok) was sent to America, an office for this purpose having been opened in New York. Money realized from these sales was spent on purchases of agricultural implements and other manufactured articles. The total sum of purchases sent to Vladivostok up to September, 1919—that is, during the time

covering less than two years—amounted to 50,000,000 gold rubles.

The second Russian co-operative organization to appear in the world markets was the Centro-Soyuz. While it was still operating under the name of the Moscow Union of Consumers' Societies it established commercial relations with Germany. But the export was done through various private agencies and it netted but little profit. The first large orders were received in 1910 when a firm in Holland gave an order for cocoa in special packages which were to bear the trade-mark of the Russian organization. The bulk of the trade was directed to Germany, but already in 1912 the agency in Odessa opened trade relations with the Near East. Later during the World War, an agency was opened at Vladivostok bringing the Moscow Union in touch with the Far East. At the same time numerous offices in Europe and America were opened, the principal ones of these being located in London, Paris, New York, Marseilles, Copenhagen, Helsingfors, and Stockholm. Most of these were opened in 1917 and operated largely only during 1918. During the blockade, the trade was carried on under great difficulties. Some of these offices incorporated under the laws of the countries where they were located so as to be legally protected.

The Centro-Soyuz was already operating abroad several years when the first Russian Agricultural Union, the Central Union of Flax Growers, made its appearance in 1915. Though its appearance was very modest at first, due to the special privileges of monopoly granted in 1916, it became an important factor in the Russo-British trade. A year later, the Allies (England, France, and Belgium) were obliged to deal exclusively with the Central Union of Flax Growers. To facilitate future export from Russia, this union opened in 1918 an agency in London, and a little later in Belfast and New York. Besides the Central Union of Flax Growers, the Russian peasants were represented abroad through their tar industry, eighty-five per cent of the entire English tar import coming from Russia. As soon as the first union was organized in Archangel, the co-operators attempted to appear on the market as an independent agency. Eventually

this was done and a London office began negotiations for the tar artels.

During the World War another Russian co-operative organization made its appearance on the international markets. This was the Moscow Narodny Bank which through its Goods Department served as an agency of wholesale exports and imports. This exchange assumed large proportions and it was found necessary to have a permanent office abroad. Thus, though having conducted business abroad for over two years, the first official branch of the Moscow Narodny Bank was established in London, January 1, 1916. In order to conduct the work efficiently the London office established friendly relations with the English Board of Trade, the advice of which was found to be of great value in making first purchases and sales. The London agency of the Moscow Narodny Bank was instructed from time to time to make an exhaustive study of the egg market, of grain imports, of flax trade, etc. Eventually the Goods Department at Moscow was reorganized and several large All-Russian Unions came into being. Assisted by the London office of the bank, these unions were able to begin their operations abroad at once. Thus the preliminary work done by the bank benefited the entire Russian co-operative movement.

The turnover of the London branch of the Moscow Narodny Bank for 1916 amounted to £466,724 (sterling). The expenses involved comprised only one half per cent of the total, while the agreements between the home office with the unions provided three per cent commission; thus the profits involved were rather large. During this year the Russian Government also made through this London office various purchases, amounting to £235,000 (sterling). The following year, the turnover was much less (£90,500), this being due to the submarine warfare and other unfavorable war conditions. To meet these difficulties, a new agency was opened in New York, and thus a new change of operations was established.

Due to the Bolshevik Revolution and the subsequent blockade numerous hardships next befell the foreign agencies of the bank. Restrictions of all kinds, searches, and even

personal insults—all this had to be borne with. At the same time, the rapid depreciation of the Russian ruble made business transactions very difficult and, due only to the flax transaction between the two countries, the London office received a deposit of £2,020,000 (sterling). But toward the end of 1919 commercial relations between the London office of the Moscow Narodny Bank and Ukraine, Siberia, and Archangel were re-established. In the meanwhile the New York office, operating under the name of the Moscow Narodny Purchasing Agency purchased for the two years of its existence goods amounting to \$495,000, four per cent of which were charged for the expenses involved.<sup>1</sup> The London office of the Moscow Narodny Bank was able to secure large credit in the London banks and at the end of 1919 was transformed into a stock company. Its share capital was fixed at £250,000, fifty-five per cent of which was kept by principal co-operatives in London. This was done to have legal protection in view of the nationalization of the home office at Moscow.

Another large organization which opened in London was the Zakupsbyt, which represented the Siberian consumers. This step was taken partly because of the rivalry in Siberia between the Centro-Soyuz and the Zakupsbyt, and partly because the exigencies of the times required outlets of new markets. It received credit through the Moscow Narodny Bank of £240,000 (sterling). One of the first consignments received by the London branch of the Zakupsbyt was a large quantity of expensive furs. Considering that America presented a better market for this consignment, the London office reshipped it to America. But just then the American Government put an embargo upon the import of furs. After numerous delays the sale finally took place, netting \$1,000,000. The turnover of the London office for the first year was £10,000. Late in 1919, the Zakupsbyt opened another branch, locating it this time in New York City.

About the same time, when the Zakupsbyt opened its London office, England and America approached the co-op-

<sup>1</sup> Prof. Shvittau, "Russian Co-operators on the International Markets," p. 107.

eratives in Eastern Siberia with a view to enlarging trade relations. This part of the country was still free from Bolshevism and, desiring to secure new markets, English merchants hopefully looked toward Vladivostok. This attitude was reciprocated by the Siberian co-operators who were also anxious to enlarge their foreign trade. With this end in view, a special conference of co-operative organizations was held at Vladivostok on the ninth of November, 1918. Mr. Porter, the newly arrived representative of the British Government, addressed the convention and announced that the British Government was desirous of establishing trading relations with Siberia; that it wished to learn about the commodities which were required for Siberia and those which could be exported from there. The delegates agreed that the following articles were needed: agricultural and other machinery, footwear, ironware, binder twine, paper, candles, and dye. The delegates recommended that no monopolies should be created but that both co-operative societies and private companies should be given a chance to participate in ordering and distributing these goods, subject to a reasonable profit. A joint committee consisting of private firms and co-operatives was elected to take charge of the entire trade to be carried on by each firm and by each of the co-operatives, and to prepare a list of goods ready for export.

This conference also considered a telegram received from the New York office of the Moscow Narodny Bank to the effect that the American Government was prepared to reopen trade with Siberia. The telegram proposed that the co-operatives should co-ordinate their work with that of the American War Trade Department and should concentrate their orders on the New York offices of the Moscow Narodny Bank. Flax, hemp, wool, bristle, and beet seeds were suggested as being the best articles for export just then. Furthermore, the New York office suggested that the co-operatives should undertake the provisioning of the American troops stationed in Siberia, the payment for such to be made in New York, and thus to form a fund to draw on for purchases for Siberia. The conference agreed to these proposals and the Vladivostok branch of the Moscow Narodny

Bank was appointed to take charge of negotiations with the American troops in Siberia. It was also agreed that the co-operative societies should not act independently on foreign markets, but should co-ordinate their purchasing operations, and appear on the markets united.

Besides these early attempts of England and the United States to reopen trade with Siberia, Canada also tried to form a commercial alliance with that country. The Canadian Economic Commission which arrived at Vladivostok on the fifth of March, 1919, came to make a study of the existing economic condition in Siberia. A conference took place at which representatives of the leading co-operative organizations were present. This conference had a special interest for the Siberian people, since climatic and geographical conditions of Canada were very similar to those of Siberia. Being the nearest American neighbor, Canada was best able to supply the agricultural machinery and manufactured goods for which there was a great demand in Siberia. The commission, however, was not able to make any trade agreements because "the very serious transportation and financial difficulties existing in Siberia and which are of basic importance in any endeavor to develop economic relations and extending aid, unfortunately made it impossible for the commission to realize many of its plans and desires. The commission, however, from investigations made and material gathered, was in a position to recommend to the Canadian Government and industrial interest at home, a plan which they hoped to place in operation as soon as the existing transport and financial conditions would be improved."<sup>2</sup> While all these negotiations were being carried on, new political events took place. The Bolsheviki regained ground in Siberia, and the blockade, being extended now to the Far Eastern provinces, prevented further trade negotiations.

It was left again for the Russian co-operatives abroad to find ways and means of carrying on trade with Russia. But lack of joint purpose marked these attempts and so they were bound to produce rivalry and most injurious compe-

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<sup>2</sup>"Canadian Commission in Siberia," *The Russian Co-operator*.

tition. Therefore it was felt that an association uniting all the foreign agencies should be established. An early attempt of this nature was made in 1915, but it was only some four years later when an alliance under the name of "The Economic Bureau of Russian Co-operators in England" was established. This bureau was to be an academic society, small initiation fees and annual dues providing the funds. Besides its monthly publication, "The Russian Co-operator," proved a decided success. A similar association on a smaller scale was also formed in America. The weakness of this alliance was evident in many ways. First the rivalry of the home offices of the Zakupsbyt and the Centro-Soyuz reflected upon the relations of these two organizations abroad. Furthermore the alliance abroad was made on a purely academic basis. It could not bring a vital bearing upon the main issues, such as field of activity, prices, etc. The only real help rendered to each other was in the line of transport, a problem more or less met by a joint effort of all the associations. This was the general situation abroad among the Russian co-operators when the blockade was lifted and Soviet Russia appeared on the international markets.

The decision of the Allies to reopen trade with Russia was the natural result of two things. On one hand the economic depression of Western Europe was a threatening danger to political and economic stability. Several million of unemployed men and women and hundreds of shut down factories spelled financial depression. The only way to return to normal conditions was to re-establish foreign exchange. Russia with her urgent demand for manufactured goods and her large amount of accumulated raw materials appeared to be a safety valve. Again, it seemed needless to delay recognition of Russia in the hope that her communistic régime would soon totter. Notwithstanding all the financial help rendered to the counter-revolutionists, Denikin, Kolchak, Petlura, Semenoff, and their like were defeated, and the Soviet power was triumphant. The danger of counter-revolution on a large scale was gone. No more hope could be entertained by the Western Imperialists that the dangerous Bolshevism would be in the near future over-



thrown by an army of adventurers. Soviet Russia had to be reckoned with, and for its own sake, and possibly to avoid revolution, the Western world, pressed by economic reasons, was ready to lift the blockade.

Unwilling to negotiate with Russia directly, the Allies declared they would make a trade agreement with the co-operative societies. And thus the attention not only of business people but that of the entire world was drawn to the Russian co-operative movement. Numerous articles began appearing in the daily press entitled, "Not Lenin nor Kolchak, but Russian Co-operation." Some of the newspapers went so far as to declare that by utilizing the co-operatives as a factor of international trade exchange, it was possible to destroy gradually the Soviet Government's economic control and eventually overthrow it entirely. Whether these designs were ever entertained by the allied powers, or whether they were merely the creation of reactionary publicists, the fact remains that the same imperialistic allies, who formerly declared war to the knife against Russia, now gave favorable attention to the Russian co-operators abroad.

On January 14, 1920, Mr. A. M. Berkenheim who, in 1918, in his official capacity as vice chairman of the Centro-Soyuz was sent abroad to begin negotiations for extensive purchases of agricultural machinery, and whose connection with the counter-revolutionists was a more or less known fact, was suddenly summoned to appear before the Supreme Economic Council of the Allies in Paris. He submitted a detailed report expounding the standpoint and development of Russian co-operation. The facts as he presented them were correct only in so far as they applied up to the time of his own departure from Russia. So that the changes which occurred in his absence (the entire collapse of the structure of the co-operatives as brought about by various Bolshevik decrees, culminated by the famous decree of March 20, 1919) were dealt with slightly, if at all.

On January 16, 1920, the Supreme Council in Paris decided to authorize the resumption of trade relations with

Russia. This momentous decision was announced in the following communiqué:<sup>3</sup>

"With a view to remedying the unhappy situation of the population in the interior of Russia, which is now deprived of all manufactured products from outside of Russia, the Supreme Council, after having taken note of the report of a committee appointed to consider the reopening of certain trade relations with the Russian people, decided that it would permit the exchange of goods on the basis of reciprocity between the Russian people and the allied and neutral countries.

"For this purpose it has decided to give facilities to the Russian co-operative organizations, which are in direct touch with the peasantry throughout Russia, so that they may arrange for the import into Russia of clothing, medicines, agricultural machinery, and other articles of which the Russian people are in sore need, in exchange for grain, flax, etc., of which Russia has surplus supplies."

A special conference was held (January 20-24) to which some prominent co-operators, then abroad, were invited. Whether from lack of knowledge as to the changes that had taken place in the Russian co-operatives, or possibly being anxious at all cost to reopen the much needed trade relations, or for other reasons, similar or dissimilar to those of Mr. Berkenheim, the co-operators participating in the conference did not enlighten the Council on the exact position of "Sovietized Co-operatives." Among those invited to attend this conference were the following: Mmc. E. O. Lensky and V. N. Zelheim, two well-known co-operators (who, however, were implicated in dealings with the counter-revolutionists), K. I. Morosoff, I. V. Bubnoff, K. I. Popoff, A. E. Malachoff, F. I. Shmeleff, and T. B. Kusin.

That the ideas of the Supreme Council on the subject of the position of Russian co-operatives in Soviet Russia, even after this conference, were hazy and not at all coincident with actualities, was manifested in the proposals, reported by the committee appointed by the Supreme Council to consider the reopening of trade relations with Russia. Thus

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<sup>3</sup>"Trade with Russia," *The Russian Co-operator*, Feb., 1920, p. 17.

Articles 8 and 9 of these proposals made public by the committee, read as follows:<sup>4</sup>

Article 8. With regard to transport, the co-operative headquarters at Moscow would endeavor to secure at least four complete trains from the Bolsheviks for use to and from the Black Sea ports. If this would be impossible, Mr. Berkenheim and his associates would utilize some of their credit for purchasing trucks and locomotives in allied countries. They would in any case send out a number of lorries to assist the railways.

Article 9. As soon as it becomes clear that grain has started to be moved out of Russia and that the Bolsheviks were not offering resistance, the contracts would of course be considerably extended, so as to cover the full amount of at least one million tons of grain, which it is estimated can be exported within a reasonable time.

The provisions clearly indicate that whether or not cognizant of the exact facts, the Supreme Economic Council of the Allies publicly took the stand that it could deal with the co-operatives without dealing with the Soviet power. That this assumption was ridiculous was soon apparent, when in response to the radio-telegraphic communications opened between the Moscow Centro-Suyoz and the Council, a delegation of co-operators who were very prominent in the Russian communistic régime was appointed to negotiate trade relations with the foreign countries. The Trade Delegation included N. Litvinov, L. B. Krassin, V. P. Nogin, and a few other well-known communists. These men represented the Central Executive Committee of the United Russian Co-operatives, incorporated in the Sovietized Centro-Soyuz. They received from the Soviet Government full power to export raw materials in exchange for tools absolutely necessary for Russia. This committee proceeded to Copenhagen and some of them, under the chairmanship of Litvinov, remained there; others under the directorship of Krassin, proceeded to London. The delegation was provided with broad discretionary powers which enabled the delegation to avoid delays based upon negotiations by wireless, etc.

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<sup>4</sup>"Trade with Russia," *The Russian Co-operator*, Feb., 1920, p. 18.

Though this committee was appointed almost as soon as the decision of the Allies was made public, yet it was only in March that the first minor agreements were signed between Russia and small republics like Latvia, Esthonia, and others. Then in April came the agreement with Italy. The documents were signed April 12th, Litvinov representing the Centro-Suyoz and Anglio Cabrini representing the National League of Italian Co-operators. The most important parts of this document ran as follows:

(1) "All matters concerning commercial exchange between the co-operatives of Soviet Russia and Italy (until the complete re-establishment of political and diplomatic relations between the two countries) will be conducted by Russia through the intermediary of an agency of the Centro-Soyuz in Rome, and by Italy through the intermediary of an organ to be established under the auspices of the Italian Socialist Party, and of the National Co-operative League and the Azienda Conzorziale dei Consumi del Comune di Milano, and the National Institute for Exchanges with Foreign Countries. These organs being related with other similar co-operative institutions assure to the above-mentioned object a general and national scope.

(2) "In case any non-co-operative agencies want to deal with Russia they have to conduct their business through this Italian Co-operative Agency, and make with that organ whatever agreements are necessary.

(3) "The Italian Co-operative Bank, "Istituto Nazionale di Credito per le Co-operative," was to be the correspondent for both sides for payments and collections.

(4) "The duration of this general agreement was to be one year, but it was to be automatically increased by an equal period in case no denunciation was made by either party within one month of the termination of the first year period."

The Russian Trade Delegation encountered several obstacles in reestablishing trade with England. Though the economic pressure broke the blockade, political prejudices still remained. Russia was a veritable oasis in a desert of bankruptcy, and having goods to sell, England was very

anxious to resume pre-war relations. But none the less, she attempted at first to discriminate between members of the delegation, saying that such might come to London, and such others could be entertained only at the safe distance of Copenhagen. But these barriers toppled one by one, and finally in the published account of official British memoranda on the conditions of approaching trade with Soviet Russia, came the declaration that "The British Government had no intention of debarring any Russian on the ground of his communistic opinions, provided the agents of the Russian Government complied with normal conditions of friendly international intercourse."

In connection with the trade agreement with England it is interesting to note just how business and politics were combined in this delegation, which came under the name of the Centro-Soyuz. Krassin and Litvinov who were at the head of the delegation represented the Commissariat for Foreign Relations and the Centro-Soyuz. Besides these the delegation included the following experts and secretaries:

(1) C. K. Belgard, expert in financial affairs (formerly a kamer-junker of the Czar, son of a senator, official in the credit department); (2) V. D. Voskrensky, engineer (formerly chief of the Moscow-Ryazan Railway. Candidate for Assistant Minister of Ways and Communications, 1915-1916); (3) V. N. Ivitsky, Professor in the Higher Technical School at Moscow (formerly well known in London for his anti-Bolshevik propaganda); (4) I. A. Grogan, expert chemist; (5) L. Kirschner, trade expert; (6) V. V. Starkov, expert on electricity (employee of the Moscow street car system. Moderate political beliefs); (7) N. T. Zherebtzov, expert on agricultural implements (formerly a business man, specialized in paper trade); (8) B. V. Cherdynzev, expert in textile industry (formerly Privy Councilor); (9) A. Volkov, grain expert (formerly technical grain expert of the Petrograd Grain Exchange, well-known anti-Bolshevik); (10) C. L. Liberman, lumber expert (formerly an active worker in the social democratic movement, Menshevik); (11) I. F. Ion, metallurgical engineer (well known in the reactionary conservative circles of London); (12) G. P. Gordin, trade expert; (13) A. B. Sereznikov (for-

merly Soviet Commissar in Vladivostok); (14) N. K. Klishko, engineer (Bolshevik, who was at one time deported from London with Litvinov, and who was at first denied entrance to London; Secretary of the delegation); (15) N. G. List, expert on machines (formerly member of the Moscow Duma, of German descent from a rich conservative family); (16) K. M. Kotomin, automobile expert; (17) D. L. Alexandrov, lumber expert (formerly lumber merchant of Moscow); and (18) L. D. Mirev, trade expert (well-known co-operator).

This delegation also included Rasovsky and Nogin, two well-known co-operators, and a staff of clerks and interpreters. Only two interpreters were employed, as most of the members of the delegation spoke English fluently. Many of them, as shown by the above specifications, were known in London previous to their appointment. And the fact that many of them were not radicals, and that some of them were even known as anti-Bolsheviki, helped to convince the English that Russians were combined for foreign trade. It also showed that the Bolsheviki were utilizing bourgeois classes to expedite trade relations. However, the secretary of the delegation as well as Krassin and Litvinov were representing the Soviet Government, so that from the political standpoint Russia's interests were well taken care of.

#### STRUGGLE WITH THE RUSSIAN CO-OPERATIVE ABROAD

Besides combating the false rumors circulated by an antagonistic press, the Russian Trade Delegation met with opposition from the Russian co-operators who resided abroad and had charge of Russian co-operative foreign offices. When the decision of the Allies was first made known, there was a strong hope among these co-operators that their organs would give them full power to make necessary trade negotiations. These hopes were frustrated when the appointment of the Russian Co-operative Trade Delegation was made known. Krassin also was disappointed in his hopes, since he expected co-operation and recognition by his fellow co-workers abroad. A strong opposition was shown by practically all the leading offices, especially so by the Centro-Soyuz officials abroad,

claiming that the new Centro-Soyuz, as represented by Krassin, was an entirely different organization from the old free Centro-Soyuz which they represented abroad. They refused to recognize Krassin as a delegate plenipotentiary and refused consequently to turn over to the new delegation their offices, funds, and other assets. This matter was given an unfortunate publicity, and quoting one of the articles written on the subject, we read as follows:

"The new organization of a state and compulsory order, although it has preserved its old form, cannot be regarded as a lawful successor of the All-Russian Co-operative Organization—The All-Russian Central Union of Co-operative Societies (Centro-Soyuz). The actions and orders of the administration of this new organization are not binding therefore, either morally or juridically, for the organs of administration of the authentic Centro-Soyuz.

"The members of the Board elected by the last legal meeting of the delegates of the Centro-Soyuz have not, therefore, the right to give up voluntarily their obligations, rights, and powers upon the demand of the organs of administration of the new institution created by the Soviet Government. They remain, both legally and morally, responsible for the business and property confined to them by the All-Russian Central Union of Consumers' Societies to the legally elected delegates' meeting.

"On the grounds stated above, the members of the board of the Centro-Soyuz who are abroad have refused to recognize as valid the authority of the members of the Russian Trade Delegation, obtained by them from the new administration of the nationalized Centro-Soyuz, to represent the latter abroad to manage its foreign branches."<sup>5</sup>

But though unwilling to hand over the property they controlled abroad owing to purely economic reasons, and seeing that in spite of all political prejudices foreign powers were willing to deal with Russia, the managers of foreign branches of the Centro-Soyuz tried to form an agreement with the Russian Trade Delegation. At that time there were five

<sup>5</sup> Editorial, *The Russian Co-operator*, July, 1920, p. 100.

branches of the Centro-Soyuz, namely: (1) Centro-Soyuz, England, Limited, London; (2) Société Anonyme Centro-Soyuz, France, Paris; (3) Centro-Soyuz Norsk Akbeeselskob, Christiania; (4) Aktiebslaget Centro-Soyuz, Stockholm; and (5) Centro-Soyuz America, Inc., New York.

All these offices wanted to have an agreement made with the Russian Trade Delegation representing the new Centro-Soyuz that, "while preserving their legal independence and remaining under their former management, they would none the less execute the commissions of the Trade Delegation."

These proposals were rejected by the delegation on the ground that as long as the members of the board who were abroad did not agree unconditionally to recognize and submit to the new managing board of the Moscow Centro-Soyuz, business relations were impossible. Since it was urgent to have a permanent office established which could execute further commissions of the Trade Delegation and the Moscow Centro-Soyuz, new offices were set up and registered according to the laws of the respective countries. The firm registered under the name of the All-Russian Co-operative Society, or as it became better known by its abbreviated form, the Arcos. In London it is called the "London Arcos Limited," in America it is the New York Arcos, Inc., etc. The London agency registered a capital of £15,000, and approximately a similar sum was given to the New York office.

The Zakupsbyt also refused to recognize the Trade Delegation and followed the example set by the London Centro-Soyuz. The Zakupsbyt's foreign offices were notified by the Soviet Government that, according to the Act of Consolidation of February 6, 1920, the Siberian Union of Unions, Zakupsbyt, was merged into the Siberian Division of All-Russian Central Union of Consumers' Association, "Centro-Soyuz." The managers of the foreign offices of the Zakupsbyt refused to recognize the Act of Consolidation as legal, since according to the by-laws (Paragraph 40) registered in the district court, this act should have been ratified by the general meeting of the shareholders. The said agreement of February 6, 1920, also provided (Paragraph 9) ratification by the assembly of delegates of the Zakupsbyt, but due to the entire change



of structure of co-operatives, it was found impossible to hold this meeting. On this ground the offices of the Zakupsbyt abroad did not recognize the Act of Consolidation as legal, and refused to turn over their assets to the Centro-Soyuz.

These offices were under the direct management of Mr. K. I. Morozoff, who, acting as ordered by the Board of Siberian Directors of the Zakupsbyt, proceeded to take steps in protecting the foreign offices from the Centro-Soyuz. This necessitated a complete reorganization, and this took place according to the laws of each country in which these branches were found. Thus the New York branch was reorganized and incorporated under the laws of the State of New York, under the name of "American Zakupsbyt, Inc." Its authorized capital stock (common only) consisted of 4,000 shares of a par value of \$100. This gave a total value of \$400,000, of which \$241,700 have been fully paid. Two thousand four hundred and twelve shares (which have been paid for) are held by the general management for foreign branches, while shares are owned by other members of the former Siberian Board of Directors. Similarly, the London branch was reorganized and incorporated under the laws of Great Britain, under the name of "Siberian Zakupsbyt, Ltd." The authorized capital stock of that company was 25,000 shares, each share valued at £5, totaling £250,000. The outstanding fully paid capital stock is £50,000.

These foreign offices, having protected themselves in a legal way, immediately began looking for some legal scheme by which they could get a foothold in Siberia again and help fight the issue there. The first step taken in this direction was the establishment of the Central Board of Management of Foreign Branches at Shanghai, China. This was the nearest point of vantage to Siberia. About the same time, the Far Eastern Republic was formed and proclaimed as its motto, "Recognition of Private Ownership of Properties." This was utilized by the Zakupsbyt management which immediately opened branches in Harbin, Manchuria (Chinese territory), Nikolaevsk-on-Amur, Blagoveschensk, and other cities in the Russian Far East. To protect its activity in the Far Eastern territory from possible interference by the Centro-Soyuz, all

offices in China and Siberia were opened as branch offices of the American and London companies.

At present, therefore, the principal Zakupsbyt offices are located as follows: The general office for foreign branches of Zakupsbyt, Shanghai; American branch office, American Zakupsbyt, Inc., New York; and English branch, Siberian Zakupsbyt, Ltd., London. Then there is the branch office of the American Zakupsbyt, Inc., Shanghai. The American Zakupsbyt, Inc., has representatives in London, Harbin, and Vladivostok. The Siberian Zakupsbyt, Ltd., has a branch office in Berlin. It also has an office in New York and one in Harbin. There are also numerous agents who represent this organization in New York, Shanghai, Vladivostok, Nikolaevsk-on-Amur, and Blagoveschensk.

Due to this stratagem the Zakupsbyt found a way to establish itself once more in Siberia. Though established only in the Far Eastern Republic, its operation spread into Soviet Siberia where it began supporting agitation for the re-establishment of its organization. This struggle met with less and less opposition from the government which, guided as it is by the New Economic Policy, gave numerous privileges to the unions formerly nationalized. Therefore it is but a question of time when the Zakupsbyt will be re-established under its former title. The most recent development in this struggle is rumored to be the recognition of the rights of the London office of the Zakupsbyt to carry on a part of the export, and a messenger carrying this special agreement is said to have been already sent to London. The New York office also expects a similar privilege. Whether these privileges are to be granted immediately or not, their realization is but a question of time, and in the meanwhile export goes on just the same.

The method of business transactions of the American Zakupsbyt, Inc., goes along certain well-defined lines. The Harbin office sends to New York on consignment all kinds of raw materials which are available for export from Siberia. These goods are sold on the American markets and the proceeds from sales, minus the operating expenses (which include the allowance for the office expenses), are held by the New

York office at the disposal of the consignor with the net proceeds from the sale of raw materials. Upon the receipt of an order from the consignor the New York office buys in America all kinds of manufactured goods (mostly textiles), all kinds of tools, and agricultural implements, and ships them to Dairen or Harbin, charging them to the account of the Harbin office. If shipments of goods from America to Siberia are made by the New York office independently, then the shipping documents are made to the order of the New York Zakupsbyt and forwarded to the Shanghai branch. These goods are exchanged for raw materials, or sold for cash. The raw materials are shipped to the New York office where they are sold. The money is credited to the Harbin office and they wait for further orders. A similar policy is used by the London office.<sup>a</sup>

Up to the beginning of 1923 Zakupsbyt's operations in the United States were conducted under severe difficulties. It succeeded, however, to import a large quantity of furs. Among other items of import were the following: flax, wool, skins, hides, and horsehair. From 1919 to January, 1923, the total import amounted to a little over \$2,000,000. The New York office of the Zakupsbyt was also active in the line of exports. The exports for the same period of time amounted to \$1,203,000,000. They included such merchandise as footwear, hardware, textiles, drugs, tools, machinery, stationery, books, trucks, hunting supplies, metals, and agricultural implements. Though a turnover on an average of \$1,000,000 is not a large sum considering the vast possibilities of Siberia, yet considering the blockade, civil war, lack of transport, etc., it is surprising that the New York office has been able to succeed even to such an extent. At present its operations are enlarging, and, due to the broad policy of the Far Eastern Republic, its foothold in Siberia is firmly established.

The unfortunate controversy concerning the recognition of the Russian Trade Delegation assumed immense proportions and involved in this fashion all of the foreign branches of the Russian co-operatives. This produced a split in the ranks

<sup>a</sup> Information given by the office of New York Zakupsbyt, Inc.

of the Russian co-operators abroad. Some of these left their former organizations and became ardent exponents of the new Arcos. Thus, for instance, Dr. I. Sherman, who was in charge of the Moscow Narodny Bank in New York, left that position and became the manager of the New York Arcos. At the same time Madame V. N. Polovtzeva, Ph.D., who was known as a writer and a lecturer for the old Centro-Soyuz, left her former associates and became a board member of the London Arcos. B. A. Cryssin, who up to that time was the manager of the London office of the Centro-Soyuz and who became the secretary of the Trade Delegation, remained in London as a director of the London Arcos. In other words, in the light of the controversy concerning the Moscow Centro-Soyuz, a split occurred among the Russian co-operative leaders abroad.

#### ARCOS AND THE FOREIGN TRADE

The trade agreement with Britain, in spite of all these delays, unfortunate publicity, and so forth, was finally concluded, and during the last of October, 1920, the trade began to be conducted regularly. The British Government thus indirectly recognized the validity of the Soviet Government. The details of the English trade with Russia up to the end of August, 1921, are given in the following statement by the Russian Trade Delegation, London:<sup>7</sup>

"The All-Russian Co-operative Society, Ltd., London, makes all purchases for Russia. Between October, 1920, and the end of August, 1921, it brought £5,620,000 worth of British products. The most important items were: Coal, £720,000; Provisions, £1,695,000; Cloth, £1,400,000; Land machinery and implements, £282,000; Chemicals, £148,000; Seeds, £190,000; Binder twine, £94,000; Clothing, £190,000; Sewing cotton, £148,000, and Steel wire rope, £67,000.

The exports of British products to Russia in the pre-war time averaged about £14,000,000 a year. Considering that the prices on British goods were much higher than before the

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<sup>7</sup> Reprint, *Soviet Russia*, Dec., 1921, Vol. V, p. 271.

war, the exports for eleven months may be estimated to have reached something like one-third of the pre-war figures. However, if we remember that Russia was cut off from the other countries because of the blockade, her imports from England (as from one of the first countries she concluded trade agreements with) should have been on a much larger scale. These purchases were delivered via Lithuania, Finland, and Latvia.

The problem of increasing the exports and imports was one of the questions placed on the agenda of the All-Russian Congress of the Centro-Soyuz, held in Moscow in July, 1921. The co-operators were to work out a plan for the preparation of goods for export which would form the nucleus of the "export fund." Hinchuk, a member of the board of the Centro-Soyuz and its acting chairman, outlined in his report to this congress the practical steps which were being taken in this direction. According to this report, the Centro-Soyuz was organized under the guidance of experienced workers, the collection of goods for export from the surplus of raw materials, agricultural produce, and articles of kustar production, accumulated by the respective societies in the districts. The co-operators pledged themselves to assist this work locally and to facilitate the trade relations in every possible way. The Soviet Government, through its representatives, also reiterated the wording of previous decrees by which, though nominally free, the Centro-Soyuz was to act, in respect to foreign trade, in close touch and according to the general plan of the Commissariat for Foreign Trade. This is further facilitated through personal contact with these two organizations, since several of the members (Krassin, Leshava, and Voikov) were serving on the boards of both of these organizations. Besides transmission of government purchases, the Centro-Soyuz was later able to do some trading on its own behalf, this tendency growing stronger during the last year. All commissions, whether for the government or for itself, the Centro-Soyuz executed through the Arcos.

The negotiations of the Centro-Soyuz with America presented a special difficulty. First because the co-operative movement in America was not as far advanced as that of

England or of other European countries. Consequently the co-operatives had to deal with private firms and this led to another difficulty. America did not recognize the Soviet Government, hence there was no security for Russian funds in the United States. There could be no normal trade exchange, but as Russia was very much in need of railroad equipment, and as these could be best imported from the United States, Litvinov proceeded to negotiate exchange with America in order to secure the desired means of rebuilding the Russian railroads. Early in March an order for 2,000 locomotives and a corresponding number of cars and also railroad equipment was placed in the United States. Payments were to be made in gold or its equivalent at Russian ports upon delivery of goods.

The manufacturers in the United States were anxious to resume trade with Russia. The government, however, assumed a false attitude toward resumption of regular trade relations. This was due to the continuous attempt on the part of the newspapers and of the American Chamber of Commerce to create a public opinion that Russia had no money and nothing to export. This was true of the English press also. Political reasons prompted such attitude. In England, however, the co-operators were very strong and it was easier to negotiate for the Centro-Soyuz. But in America, besides the lack of a liberal or co-operative press, there was a deliberate policy of misrepresentation as to the resources of export in Russia. On various occasions the American Chamber of Commerce asserted that "there were no considerable stocks of raw materials available for export and that the breakdown of transportation will for a long time preclude shipping goods to or from the interior." And again, in conformity with the Wilsonian formula, "To Make the World Safe for Democracy," the Chamber of Commerce said: "Future interests will not be served by draining Russia of things which Russian people themselves imperatively need for regaining normal existence."

In so far as the argument of the railroads was concerned, it was very true that, in common with those of all war-ruined countries, they were seriously demoralized. The Russian rail-

ways, however, for the space of several years had been able to carry troops and supplies to some eighteen different fronts. The peace once established, Russia utilized all her railroads for commercial enterprises. Besides, this deterioration in itself was a good argument for giving to Russia the needed supply of railroad equipment. As to the Russian lack of goods for foreign exchange, Mr. Litvinov time and again issued an official statement that the Centro-Soyuz, collaborating with the Russian Government, was ready to export 43,000 pounds of flax, 216,000,000 pounds of hemp, a large quantity of furs, bristles, hides, and platinum and unlimited supplies of lumber. The slightest understanding of the Russian trade export repudiated the false solicitude of the American Chamber of Commerce when it said that to drain Russia would not serve her future interests. Russia, from the sixteenth century on, sold all her raw materials which lack of manufacturing facilities made it useless to keep at home and in exchange received manufactured goods and other articles of necessity to Russia. The people of Russia, because of the war and blockade, were very much in need of imported articles and had accumulated others for export. They could not eat furs, hides, bristles, flax, hemp, and platinum, but they could exchange those abroad for other articles. It was but a question of time until these facts would penetrate to the American people, and meanwhile, the more enterprising of the wholesale houses of the United States began dealing with Russia through their London offices and through the English co-operators as soon as their agreement with Krassin was ratified.

#### THE KARA SEA EXPEDITION

The London Arcos thus carried on an active exchange of goods, rendering a splendid service to Russia. One of the most interesting episodes in the history of this office was its active participation in the Kara Sea Expedition. Up to 1921 several attempts had been made to make use of the Kara Sea and the rivers of Ob and Ennissey, and thus connect Siberia with Western Europe. Due to the complications from the last period of the civil war, the great Siberian trunk as well

as other railroad routes of Russia were greatly impaired, and became altogether inadequate to conduct Siberian export trade on the much-needed scale. It was therefore very important to re-establish connections with Siberia through some other route, and the Kara Sea loomed as a possibility. According to historical data of the sixteenth century, this route was used in a very small way by merchants. During the subsequent centuries several large attempts were made to utilize this route and establish direct connections with Western Europe. The exigencies of 1920 and of the early part of 1921 made it imperative for the Soviet Republic to establish a trade route through the Kara Sea. Plans were carefully drawn by which it was provided that grain from Siberia should be left at Archangel, whereas the raw materials should be sent to England and be sold there. These plans provided that necessary agricultural machinery and clothing should be imported from England. To assure a certain measure of success, it was of primary importance to make first of all arrangements in England as to the purchases as well as to the sale of the Siberian exports. The Soviet authorities decided to utilize the London Arcos to make all arrangements and purchases through that office.

The London Arcos, having accepted this mission, found itself confronted with "the time-limit difficulty." It so happens that due to the purely climatic conditions, it was practically impossible to enter the mouths of the rivers Ob and Ennissey during certain months. In fact, the period from the middle of August to the middle of September was estimated as being the best time for such an excursion. The Arcos had to plan to get things ready in a short time and purchase goods for Siberia and send them so as to have them reach the Siberian shores some time in August. Early in June, 1920, the Arcos purchased five steamers, and fitted them out for the journey. Special appliances were set up so as to strengthen these ships against the pressure of ice in the northern seas. The Russian Trade Delegation also succeeded in obtaining from the English Government the return of the ice-breaker *Lenin* and wireless telegraphy was installed on this ship as well as on the other five. At the same time, valuable



assistance was received from Captain Otto Svedrup who was Dr. Nansen's assistant in his Polar Expedition. Captain Svedrup accepted the leadership of the expedition and took charge of it from the time it left London till it returned there.

While the All-Russian Co-operative Society was busy taking care of all necessary purchases, the Russian Soviet Government was making numerous preparations to make the voyage a success. A number of geographical experts offered their services and the government was advised to set up a number of wireless stations along the northern border of Siberia. This was done and nine such stations were provided by the state authorities. These stations were to gather and send out meteorological data and information concerning the movement of icebergs. Upon the close co-operation between these arctic stations and the wireless of the steamers depended the entire success of the expedition. At the same time the government, assisted by the Russian co-operatives, fitted out eight other steamboats. In order not to have any delays, co-operators were set to collect and transfer such provisions and raw materials as Siberia could export to Russia and to England. For this purpose not less than twenty barges and seven steam tugs were utilized in Siberia. Every possible means was taken to avoid delays. Besides commercial value, this expedition presented scientific interest, but, due to the pressure of time and the economic interests at stake, it was understood that no extra time was to be allowed to make extra scientific observations.

The five steamships and the ice-breaker left England in the early part of August and were joined by the eight steamboats from Archangel near Murmansk, August 12th. There they took coal and proceeded with their journey on to Siberia. This was accomplished without any accident. The ice-breaker *Lenin* proceeded and the steamboats followed in a row. Ten days later they arrived at the mouth of the river Ob. After a journey through lonely and deserted seas, the sight of land and people was very welcome. However, none of the members of the expedition got a chance to go ashore, as almost at once the unloading began. Both unloading and loading was accomplished on the water, about three miles

from shore. Though the men worked quite vigorously, and though loading and unloading was continuous as long as there was light, the process consumed seventeen days. The loading was conducted in such a way as to place the export raw materials from Siberia in four steamboats which came from England. These took 4,350 tons of Siberian wool, graphite, asbestos, bristles, and hides. The fifth boat as well as the eight steamboats which came from Archangel were loaded with goods to be sent to Russia via Archangel.

The return journey was made under numerous difficulties. The weather was very stormy and icebergs complicated the progress. However, the ice breaker was able to render assistance, extricating boats from masses of ice and snow. The return journey lasted two weeks. At the end of the eighth day the expedition reached Murmansk, where coaling was again necessary. The four ships destined for England proceeded as scheduled to that country, the rest heading for Archangel. There the fifth English ship unloaded 2,600 tons of Siberian grain and took on a cargo of timber for England. The expedition fulfilled the program it set for itself. Not only was the necessary exchange of goods accomplished but it was done within the time set for it. Though lack of time limited any extensive investigations, yet this expedition set a precedent. Plans for establishing a yearly expedition of this kind were decided upon. Beyond all else, this venture indicated what splendid results could be obtained by the joint alliance of the co-operative societies and the Soviet Government.

#### RUSSIAN CO-OPERATORS AND THE INTERNATIONAL CO-OPERATIVE ALLIANCE

With the reopening of trade with Russia there came several attempts on the part of the Arcos to approach various foreign co-operative wholesale societies and establish friendly relations. These attempts were not successful, since, due to the antagonistic attitude of the Russian co-operative leaders abroad, the mind of the International Co-operative Alliance and that of all affiliated branches was poisoned by various

false rumors. As the reactionary, Mr. Z. Stencel-Lensky, worded the attitude of his associates, "Russian co-operators do not oppose the idea of foreign co-operative wholesale societies taking part in a trade exchange with Russia. They only point out to the practical workers of the Western co-operative movement that in taking part in trade relations with Soviet Russia and concluding trade transactions with the Soviet Trade Delegation, or with the so-called 'All-Russian Co-operative Society (Arcos)' and their agents, the Western co-operative organizations will have for their contractors not co-operative organizations but the Soviet Government."<sup>8</sup>

These insinuations temporarily carried weight and in the light of these rumors the foreign co-operators refused to deal with the Russian Trade Delegation. At the same time a decision was reached by the International Co-operative Alliance that the sole representatives of the Russian co-operative movement were persons chosen by the free and democratic co-operatives. In this fashion Madame H. Stencel-Lensky and Mr. V. Zelheim retained their representation on the Board of the International Alliance. In other words, the International Co-operative Alliance refused to recognize the Arcos as being a bona-fide organization.

This question once more came up in the course of the conference of the I. C. A. held at the Hague on the eleventh and thirteenth of October, 1920. For the first time since the beginning of the war the meeting of the Central Committee of the I. C. A. was attended by the representatives of practically every country, even Germany, who sent her delegates in the persons of Heinrich Kaufman and Lorentz. As for Russia, according to the former Genoa ruling, Madame Stencel-Lensky and V. Zelheim represented the Russian co-operators. A telegram, however, signed by Leshava, chairman of the board of the Moscow Centro-Soyuz, was produced in which he stated that Madame Stencel-Lensky and V. Zelheim were deprived of the right to represent Russia at the International

<sup>8</sup> Z. Stencel-Lensky, "The Russian Question at the I. C. A. Conference," *The Russian Co-operator*, Nov., 1920, p. 131.

Alliance, which right was temporarily conferred upon Mr. Nogin and Madame Polovtzeva.

No doubt an action of this sort was expected by the Russian delegates, who produced at once a collection of various Soviet decrees on co-operation. In no uncertain tones they exposed the prevailing conditions and appealed to the Alliance to support them in their struggle against the new Centro-Soyuz. From their point of view they were perfectly honest in those contentions, but their reactionary attitude, however, was harmful to their country. From this angle of the international relations, their actions to the Soviet Government find no justification.

The Russian question thus assumed rather dramatic proportions at the Hague Conference. The French representative, Mr. Poisson, confirming the previous decisions adopted at Genoa, protesting against the suppression of Russian co-operation, suggested that a committee be appointed to go to Russia to investigate the question and decide fairly the matter of representation. This suggestion was criticized, however, the objections being made on the ground that the documentary evidence submitted by Mr. Zelheim was sufficient and that there was no need of sending a commission abroad. Thus again the old Russian co-operators were successful in their intrigue against the new Centro-Soyuz. Mr. Zelheim was personally recognized as an undisputed leader of the Russian Co-operative Movement. In this connection another tribute to his activity was paid by the C. W. S., an organization representing practically the material interests of the whole British co-operation. This society decided to deal exclusively with the elected members of the board and representatives of the Centro-Soyuz and of the Russian co-operation with whom it had to do up to this time. It refused to accept payments and money from the hands of those who were said to have seized the property of the "Centro-Soyuz" in Russia, and have "robbed" co-operation. Thus in the hour of her need, Russia was to overcome not only prejudices of foreigners, but of her own people, who, formerly representing her abroad, were now utilizing their own power to prevent re-establishment of the much-needed trade relations.

In spite of all the intrigues, the Russian Trade Delegation succeeded in making trade agreements with private concerns of foreign countries. The economic pressure and likewise the rumors of new changes which re-established the former co-operative movement induced the International Co-operative Alliance to reopen the Russian question. At a convention at Brussels, a delegation was appointed which was to go to Russia and make a thorough investigation of the existing co-operative conditions in that country. The following men were appointed: Sir T. W. Allen (Great Britain), E. Poisson (France), and Victor Serwy (Belgium). H. J. May, the General Secretary of the International Alliance, was also included in this delegation. The International Trading Committee also appointed a delegate on its own accord, Mr. D. W. Golightly, whereupon the English C. W. S., which up to now refused to recognize the Russian Arcos, appointed Messrs. J. English and J. Hawkins to join the delegation to Russia.

The members of this delegation met at Berlin February 27, 1922. The party arrived at Riga on the second of March and had an opportunity to visit the Latvian co-operatives of that city. Several officials of the Centro-Soyuz, headed by Mr. Hinchuck, president of that organization, came to Riga to meet the delegation. The rest of the way to Moscow was made under the direct supervision of Mr. Hinchuck, and a number of courtesies were extended to the travelers, lightening their journey. The party reached Moscow on March 6th and at once proceeded to inspect the central office of the Centro-Soyuz. Mr. May gives the following account of this visit:<sup>9</sup>

"We at once proceeded on a tour of inspection of the various offices of administration and the various departments of the Centro-Soyuz, numbering some two hundred and forty rooms in their large central building. . . . We found it to be a veritable hive of industry. A continual stream of Russians of all ages and both sexes passed through the entrance hall and rapidly spread themselves over the various departments, where, with the inevitable cigarette in mouth, they proceeded to transact their business."

<sup>9</sup> International Co-operative Bulletin, May and June, 1922, p. 19.

The delegation also paid a brief visit to the Consumers' Bank which had been established in January of that year. More time was given to the permanent exhibition of co-operative production which consisted of samples of goods which the Centro-Soyuz was ready to supply to buyers. Among other things there were samples of timber, flax, hemp, grain, hides, skins, bristles, horsehair, woolflock, butter, eggs, feathers, embroideries, lace, toys, fancy goods, domestic wares, and furs. This visit, in view of the possibility of international trade relations, was especially gratifying. The visitors were impressed both by the quantity and quality of the exhibit.

After an exhaustive week's stay in Moscow, having visited various departments, the delegation proceeded next to Petrograd. It so happened that this visit synchronized with the sitting of the Petrograd section of the co-operative conference. The Petrograd section of the Centro-Soyuz is known as the Northwestern section and involves fifteen provinces. Mr. May, speaking for the delegation, thus describes this conference:<sup>10</sup>

"About two hundred delegates were assembled to discuss an interesting agenda, very much on the same lines as our co-operative conference at home, except that the men displayed the various varieties of Russian head-dress and smoked the inevitable cigarette. Here for an hour the delegates, who received us enthusiastically, broke off from their labors to permit us to talk to them of the object of our visit, and judging from the reception that the interpretation of our remarks received, co-operative principles and aspirations in that part of Russia were no wit different from those of Western Europe."

Besides the visit to Petrograd, the delegation went to Nijni-Novgorod, a place of their own selection, chosen because of its completely provincial character. There the docks and workshops with the large warehouses for the water transport of raw materials were visited. There, too, the visitors found a permanent exhibition which included furs, hides, flax, metal goods, cutlery, carriages, sleighs, and a host of peasant home industries (kustar works), which demonstrated alike the re-

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<sup>10</sup> International Co-operative Bulletin, May and June, 1922, p. 20.

sources of the country and the industries of the people. Having heard that a few hours' ride from Nijni-Novgorod there was to be a co-operative conference in the city of Vladimir, the delegation decided to go there so as to get in touch with the work of a purely provincial conference. This one was composed of peasant delegates. These drew up a list of questions which they presented to Mr. May and Mr. Poissons. The peasants, as indicated by these questions, were interested in the economic conditions of the Western workers, and also, in the personal opinion of the delegation, in the possibilities of the Genoa Conference. That this last subject was uppermost in the minds of the population just then was further illustrated when, in a small village of 1,400 inhabitants visited by the delegates during the same day, they found an announcement in the village hall of a lecture on, "Is there a possible menace for Soviet Russia in the Genoa Conference?"

A return journey followed. By this time the delegation was already favorably impressed not only with the co-operative associations of Russia, but also with those things which they saw as mere tourists. Many things rumored abroad to the detriment of the Russian Government proved to be untrue. Thus the accounts that had been broadcast as to the wanton destruction of Russia's art treasures, etc., were found entirely groundless. "We found," writes Mr. May, "the famed beauties of the Kremlin practically untouched, certainly in the highest state of preservation, and guarded not only by the official janitors, but actually by the same men in whose charge they were under the Czarist régime. The famous library, which according to the journalistic pundits of Europe had long since been destroyed as 'unnecessary to Communists and Bolsheviks,' remains intact and complete."<sup>11</sup> Therefore, having seen many interesting things highly to the credit of both the government and the co-operators, the International Co-operative Delegation returned to Moscow in a most friendly frame of mind.

They returned just in time for the All-Russian Congress of the Centro-Soyuz which convened on the twentieth of April. It represented ninety different unions, together with forty-one

<sup>11</sup> International Co-operative Bulletin, May-June, 1922, p. 100.

provincial organizations and seven federal republics. This congress was by far the most important one since the introduction of the New Economic Policy. Practically a year elapsed since the first decree of April 7, 1921, which brought new life and new responsibility to the co-operative organizations. During this time several attempts were made by the co-operators to be represented on the Board of International Co-operative Alliance. For two years Russian import and export were carried on by the Centro-Soyuz. The agenda of the congress included, therefore, problems along these experiences. It was the more gratifying, therefore, to the Russian co-operators to discuss these questions in view of the presence of the International Co-operative Delegation. It was known that the strangers were given every opportunity to study the Russian achievements as well as difficulties, and the congress was keenly interested in hearing their opinion.

Mr. May then addressed the congress, and speaking for his comrades as well as for himself, declared an utter amazement at the extent and achievements of the Russian co-operators. He assured them that the object for which they came was satisfactorily accomplished and that their recommendations along the lines of international alliance with Russia would be decidedly in her favor. These sentiments were also reinforced by Mr. E. Poisson, who greeted Russia as a sister in the international co-operative effort. Mr. J. Huber of Switzerland also contributed an entirely sympathetic message which was warmly received by the entire assembly.

At the conclusion of these speeches several Russian delegates also took an active part, the subject being practical questions concerning credit and economic relations. All the speakers emphasized the need of Russia to re-establish trade on a large scale; secure credit in foreign countries, and establish a desirable channel of these relations through a united effort of the International Co-operative Alliance. In this spirit the following resolution was made:

"The Russian Co-operative Movement steps into the newly opened opportunities of international trade and organization, in the full confidence that the National Co-operative Organizations of Europe will establish their relations with the Russian co-operatives on the basis of mutual confidence and on



the principle that the International Co-operative Movement is interested in creating mutual relations of the West European co-operative movement now present at the fifth Session of the Centro-Soyuz, we, in the name of the Russian Co-operative Movement, send greetings to the European co-operators, who have surmounted all frontiers and barriers, in the name of the international solidarity of the working people."<sup>12</sup>

The delegation to Russia thus completed its mission and submitted its report at the meeting of the Central Committee of the International Co-operative Alliance at Milan. Owing, however, to the lack of time the members of the delegation were unable to prepare a detailed statement of their sojourn in Russia, and only the principal conclusions and findings were given at this meeting. The report covered the principal points of the mandate, and carried weight, since the general conclusions thus presented have been unanimously agreed upon by the delegation.

On point 1, viz., "To inquire into the present position of co-operative organizations in Russia," the following statement was given:<sup>13</sup>

(1) The Co-operative Movement in Russia occupies a unique position in the influence, power, and extent of its operations.

(2) The evidence we saw convinces us that a complete internal transformation of the movement is being accomplished in the direction of uniformity in principle with the movement of other countries. There is therefore no longer any reason for discussing the relations of Russian co-operation to the I. C. A. in which we believe it is entitled to the fullest rights and privileges of all members. . . .

On the second point concerning "The possibility of establishing economic relations with Russia," the following conclusion was submitted:

(1) The economic resources of Russia, equally with its needs and those of the rest of Europe, make it imperative and mutually advantageous that economic relations should be established preferably through the International Co-operative

<sup>12</sup> International Co-operative Bulletin, May-June, 1922, p. 20.

<sup>13</sup> *Ibid.*, p. 9.

Wholesale Society and the International Co-operative Bank, but *immediately* by every direct and indirect means of joint buying and selling between the Russian co-operative organizations and those of other countries.

These main findings were supplemented by a statement of Mr. E. Poisson, who briefly described the recent introduction of the New Economic Policy under which the Russian co-operative movement recovered in part its former liberty and is tending to operate according to the Rochdale principles. Though vestiges of the old order still remain, yet these in no way interfere with the main principles of co-operation. These findings were still more fortified by Sir T. W. Allen of Great Britain, who gave a brief history of the recent co-operative movement in Russia, as revealed by the various documents supplied to the delegation. He stressed the point that at present the Russian co-operative movement is perfectly able to meet trade competition.

The visit of this delegation to Russia removed all misunderstandings and thus definitely consolidated the international unity of co-operation. The report of the committee was unanimously accepted and was communicated fully to all the members of the alliance and the press. In this way the Russian co-operators once more gained the recognition and respect of their Western brethren. On the other hand the International Co-operative Alliance, by sending this delegation and accepting its report, demonstrated that it was not only an academic society but a great active force in the world.

During the past year more harmonious relations were also established between the foreign branches of the Centro-Soyuz and those of the Arcos. The New Economic Policy made it possible for many organizations to get permission from the Soviet Government to export materials and to purchase foreign products. Therefore the Arcos enjoyed its monopoly of Russian trade for a short period only. Many of the consumers' organizations conduct business through foreign branches of the Centro-Soyuz. The Arcos still remains as the buying and selling agent for governmental departments for various trusts and syndicates and for a number of communal and co-operative organizations throughout Russia. Other

large economic bodies while trading principally through the Centro-Soyuz nevertheless place considerable orders with the Arcos. At times the Centro-Soyuz also is obliged to ask for special loans. In 1922, in response to such appeals, the Arcos Limited advanced \$1,000,000 to the Centro-Soyuz Limited. In this fashion, though very antagonistic at first, relations between these two organizations are becoming more harmonious.

#### RECENT TRADE RELATIONS

The co-operative associations which are engaged in the export trade still feel keenly the absence of credit facilities. In order to solve this problem the Arcos, as well as the foreign branches of the Centro-Soyuz, advance funds to consignors against their exports. These advances are given in the form of commodities purchased and shipped to Russia. The raw materials are disposed of on foreign markets and the proceeds used for liquidating the advances to the consignors and for further purchases. It takes about six months for an average turnover of this type.

Though the activities of the Centro-Soyuz developed on a large scale, the Arcos, having at its disposal considerable resources and credits, still retains the bulk of the Russian trade. Its sales<sup>14</sup> abroad, in 1921, amounted to \$8,580,000. In the past year these were increased to \$24,120,000. The purchases abroad for the last two years amounted to \$79,000,000. These purchases consisted of agricultural machinery, coal, food-stuffs, textiles, chemicals, machinery, transport supplies, seeds, sundries, leather, and metals.

Backed by such vigorous co-operative agencies, Russian trade is making remarkable progress in America. The business world is realizing to an increasing extent the significance of Russia as a market for American goods and as a source for raw materials. The co-operatives have facilitated commercial relations by creating a machinery especially adapted for the needs of Russian trade. Since the beginning of the current year the New York office of the Centro-Soyuz alone has

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<sup>14</sup> Statement issued by the Arcos Limited.

imported<sup>16</sup> raw materials amounting to several million dollars.

The Russian co-operators abroad have thus come to a mutual understanding. They have at last set aside those intrigues and misunderstandings which stamped their former activity. Recognized by the International Co-operative Alliance, and regarded as reliable agencies of the export trade by the business world, the Russian co-operators have overcome prejudices and succeeded in re-establishing commercial relations on a large scale. Actuated by a sincere desire to help their country, the co-operators abroad are thus actively participating in the economic reconstruction of Russia. Inadvertently this activity is serving as splendid propaganda for the entire co-operative movement.

<sup>16</sup> Statement given by the American Centro-Soyuz,

## CHAPTER IX

### EDUCATIONAL SIGNIFICANCE OF THE RUSSIAN CO-OPERATIVE MOVEMENT

Besides its economic value, the significance of the Russian co-operative movement is to be found in its educational contribution to the intellectual progress of Russia. This educational activity was introduced on a humble scale at the opening of the twentieth century, but eventually it assumed a national importance. Shortly before the opening of the second All-Russian Co-operative Congress of 1908, a controversy arose among co-operators on the question of the general education of the masses. The problem, as it appeared in the pages of co-operative literature at the time, as well as in public debates devoted to the subject, was centered about the issue whether co-operators should maintain their own schools, whether they should subsidize the existing elementary schools, or whether they should confine their educational work to co-operative propaganda. This question was involved in the agenda of the Kiev Congress of 1908. After a stormy discussion the co-operators adopted a broad resolution which was to foster whatever educational enterprises needed assistance; to build new schools; to publish literature dealing with co-operation and subjects related to it and in general, not to confine itself to co-operative propaganda only. The decision settled the problem for the time being, but in later years it came up again in the co-operative press. The argument against this broad policy was lack of funds and the necessity of intensifying the co-operative propaganda. While some of the leaders conducted this rather interesting polemic, the rank and file of co-operators, paying very little attention to theoretic arguments, applied the decision of the Kiev Congress in actual practice with the result that the World War found the Russian co-operators involved in fostering education of every type.

One of the first things the co-operators did was to assist in

the maintenance of rural schools. The peasants, comprising eighty-five per cent of the Russian population, were mostly illiterate, owing to the Czar's policy which had frustrated even the attempts of the Zemstvos to introduce elementary education into "Dark Russia." The co-operators realized that no progress could be made until elementary education could be introduced into the villages and they were thus forced to combine their co-operative propaganda with general elementary education. Working hand in hand with the Zemstvos they organized classes in arithmetic, reading and writing, geography and history. To these activities they added the building of high schools in the cities and providing scholarships for the children of co-operators. In this respect the co-operators of the province of Kiev as well as the railwaymen's co-operative societies of Perm and Rostov-on-Don deserve special praise.

The more the co-operators became involved in these activities, the more they realized the need of the new workers, highly trained for educational propaganda. At the same time, in view of the fact that the co-operative movement was involving new enterprises highly varied in nature there came about a need of a larger staff of technical instructors. In order to meet this shortage and to provide for future needs some of the larger unions (led at first by the Moscow Narodny Bank, and later by the Centro-Soyuz) began supporting universities, and maintaining therein special courses related to the co-operative movement.

In 1915, the Shaniavsky University (endowed by the co-operatives) inaugurated three courses on co-operation. Only students who had received a university training in the faculty jurisdiction were admitted to these courses. Besides the regular lectures, the courses included individual research work along some phase of co-operation. These courses at the Shaniavsky University were given with full regard to depth and breadth in the theoretical and practical presentation of all questions concerning co-operation. Practically speaking, there was nothing like it in any other country in the world. The same university gave also elementary courses on the theory and practice of co-operation. Similar classes were

established in various other colleges, scattered here and there throughout the country.

In this connection, it must be noted that Caucasian co-operation, consisting for the most part of credit societies, paid special attention to the educational work both in villages and in towns. For instance, the Popular University in Tiflis has subsisted almost exclusively on the subsidies allotted to it by the co-operative societies. This central university was intended for advanced students. It offered a course in higher mathematics, natural science, economics, history, sociology, and philosophy. It also had its branches in the working districts of the city where the same subjects were treated in a series of popular lectures. Special courses for co-operators on subjects connected with the practical management of co-operative concerns were also given. The university was connected not only with co-operative societies but also with trade unions, representatives of which are at present included on the administrative board. One of the most recent developments in the life of the university was the opening of a popular conservatory of music which has already proved to be a splendid success.

A co-operative university was opened in Moscow September 17, 1918, upon the premises of the Moscow Union of Co-operative Credit Societies. It was named "Co-operative Institute" and was established in pursuance of a resolution passed by the All-Russian Co-operative Congress in the early part of that year. Since the Institute had the backing of the entire country, it was possible to maintain it on a large scale. The estimates for the first year were fixed at 1,500,000 rubles, in addition to which sum every co-operative organization had to contribute a percentage of its profits for the further maintenance of the Institute.

The aim of the Institute was to provide highly skilled instructors for co-operative work, properly trained directors for the boards of co-operative organizations, editors for leading reviews, etc. The economic co-operation section was the first one organized. It covered the teaching of subjects related to co-operation, its theory and its methods, and to organization in general. The second section was devoted to commercia

training and allied studies with the view of preparing students for being commercial managers of organizations. The third section included courses in co-operative production. Besides these full courses several special courses were started. Thus in November a special course, extending for ten days only and opened for both sexes, was given on the subject of co-operative statistics. Among other courses during the first year were the following: theory of co-operation (six weeks), banking and bookkeeping (six weeks), and special lectures on refrigeration, cold storage, and ice-making. The best scientific forces of Moscow were invited to take part in organizing these courses, and since it had good financial backing, the institute commenced classes with an enrollment of over one hundred regular students. The promoters of the institute felt justly confident that this new college would develop into a real training ground for co-operative workers.

In response to the growing demand of the students, several of the leading universities introduced lectures on co-operation. Thus in 1918 the People's University at Kiev opened a special branch for teaching co-operative topics. It is interesting to note that the funds for this purpose were provided by the Central Co-operative Committee of the Ukraine. In Siberia the Omsk University took the lead in this direction, funds for the purpose being generously subscribed by the co-operative societies. In the Province of Kostroma, the Vetluga Co-operative Union arranged courses of lectures on botany, zoölogy, and chemistry, paving the way for the establishment of a local people's university.

Recently a co-operative college was established in Petrograd. It was opened in the fall of 1922 and is entirely supported by the All-Russian Central Union of Consumers' Co-operative Societies—"The Centro-Soyuz." It aims to train students for co-operative work in stores and factories all over Russia.

"The full course which covers two years includes instruction in co-operative principles as well as such special training as courses in bookkeeping and accounting, flax and hemp cultivation, co-operative development of the fish industry and courses in marketing. The college includes in its equipment



a dormitory which accommodates one hundred students. The fee charged resident students is approximately fifty dollars a year. This college is being followed with keenest interest by those American co-operators who realize that the greatest need of the movement in America is a vigorous educational program not only to acquaint the people with the benefits of co-operation, but also to establish schools with special courses to train competent co-operative leaders."<sup>1</sup>

While these courses were being introduced, and various higher institutions were being opened to the public at large, some of the unions inaugurated special classes on their own premises, the enrollment being opened only to members of affiliated societies. Thus for instance the Union of the Siberian Creamery Associations established courses for the training of bookkeepers and of creamery foremen. Special ten-week courses were given on the following subjects: cattle breeding, dairy produce, bacteriological examination of milk, butter, and cheese, the Russian language, and arithmetic. Similar technical courses were given by other unions relative to their own activities. Each union also maintained a staff of traveling instructors whose duty it was to visit local organizations, instruct the members of the board, and audit their books. This last proved of great benefit to the country at large during the World War when the best men of the villages were called to the colors, for the remaining villagers were often unable to keep the books of the local organizations in good shape. In order to meet the shortage of instructors, some of the provincial unions during recent years have opened their training schools for instructors. One such school has been established in the province of Nijni-Novgorod, 40,000 gold rubles being given toward the initial fund.

Besides rendering financial and moral support to the various schools, the Russian co-operators were active in other phases of education. They maintained clubs and theaters, People's Palaces and libraries throughout Russia and Siberia. In order to be able to do this sort of work on such an immense scale, the co-operatives wisely based their enterprises on the

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<sup>1</sup>Co-operative News Service Weekly, courtesy of the editor of *The Nation*.

self-activity of the masses, for which purpose they appointed special committees with local authority to carry into effect their plans in this sphere. Up to the Revolution of 1917, the co-operatives also utilized the existing local societies for the promotion of education, such as the *Zemstvos*, agricultural societies, etc., but owing to a political split in the rank of the co-operators these friendly relations had to be given up almost entirely. This was especially true of labor co-operatives which were willing to associate only with trade unions and with workmen's political parties. However, the tendency to unite their educational efforts with radical and semi-radical organizations grew stronger since the Revolution and eventually became the leading feature of this activity.

While most of the societies were interested in organizing educational clubs, this activity, because of its local autonomy, was left to the discretion of the local committees. It varied, therefore, greatly in each province. Thus, for instance, in Kiev a special society organized on the co-operative basis was founded, its aim being to promote clubs and to issue publications based on the social democratic platform. The Ukrainian language was used exclusively. The entrance fee was five gold rubles, while shares were at twenty-five gold rubles. Another radical co-operative society, the "Obicdinienie" (headquarters at Kharkov) established several clubs, the special feature of which was dramatic performances. A similar work also was conducted in the extreme north by the Archangel Co-operative Union. This union purchased a cinematographic apparatus, and sent it traveling from one local to another. The organization promoted the production of theatrical performances in the villages and established numerous dramatic clubs, and utilized all of these meetings for co-operative propaganda. One of the most unique educational ventures was found in the Altai Union which assisted clubs devoted to the study of Esperanto. The chief protagonists of this movement were the Siberian peasant Kungurov and his wife. The Esperanto clubs gave courses of study of the language in some of the Siberian villages covered by the Altai Union. About once a week, an article in Esperanto was offered in various newspapers. However, this

work, like the work of other clubs, was purely local. It is interesting to notice that a consumers' society called "Esperanto" is still existing in the Far Eastern Republic of Siberia. It was represented in 1921 at the All-Co-operative Congress of the Far Eastern Republic.

Let it be said to the credit of the co-operative organizations interested in the promotion of education that while organizing clubs for adults, they did not overlook the needs of children. Many of these societies established children's play classes in view of the lack of public school accommodations of that nature. The labor co-operatives were especially instrumental in establishing these kindergartens. Thus the Central Labor Co-operative Society of Moscow (which had 150,000 members) gave in 1917 a sum of 18,000 gold rubles for the founding of a new "Children's Home," embracing a crèche, a children's play class, and a kindergarten. Similar work was done all over Russia during the World War, some large schools for war orphans being established. As a result of the Russian famine, the co-operatives, besides their temporary financial help, decided to provide for special permanent homes for the children of the Volga region. In this particular work, the co-operators associated with various other organizations interested in this type of work.

Though Russian co-operators were very active in the domain of education as represented by their schools, lectures, and clubs, yet the main educational contribution was done through the press. The most elaborate and ambitious attempts in this direction were made by the "Centro-Soyuz." There is no doubt that its bookshops, which had on their shelves numerous publications of their own and of other publishing firms, and which had a yearly turnover of 3,000,000 gold rubles, occupied the first place in the world so far as co-operative books were concerned. In Russia this union was considered one of the largest publishing firms, executing large orders for all parts of the country. At first the union put out only such publications as pamphlets on co-operation, rules for co-operative societies, various forms and members' booklets and textbooks on bookkeeping. Later, however, following the general tendencies of co-operatives, the Centro-Soyuz

began publishing books on various subjects not connected with co-operation but intended to promote the civil and general enlightenment of the masses.

The union printed a great number of copies of its publications which ran into tens of thousands of copies. Of special popularity among the books on co-operative topics were three books written by Professor V. Totomiantz: "The Theory, History, and Practice of Consumers' Co-operation"; "The Power of Co-operation," and "The Life of Charles Fourier." Another popular book, "A Journey to the European Co-operators," written by Lensky, described the sojourn of some Russian co-operators in England, France, and Belgium. The Centro-Soyuz also published numerous translations of works of foreign authors, the principal ones of these being "Co-operation," by Professor Charles Gide, "The Co-operative Movement in Great Britain," by Beatrice Webb, "The History of the Rochdale Pioneers," by G. J. Holyoake, and works by Gertrude David, Von Elm, Dr. H. Muller, A. Veniavini, E. Bertrand, and others.

Besides these books, the Centro-Soyuz edited three monthly periodicals, one of which was devoted exclusively to the peasants and was written in a popular style. Another way in which the Centro-Soyuz found a possibility of reaching the villagers was by means of wall calendars, containing slogans about co-operation and giving a brief account of co-operative history, through year books containing similar items on a larger scale, and through picture postcards especially decorated with portraits of leading co-operators and inscribed with their achievements and sayings.

The Centro-Soyuz, being the Central Consumers' Organization, reached consumers all over the country. In order to reach other types of co-operative organizations, however, the Council of All-Russian Co-operative Congresses issued a monthly periodical and a number of books, principally of Russian authors, such as the works of Petrov, Propokopovitch, and others. One of the books republished four times was one written by Professor V. Totomiantz, and entitled, "Agricultural Co-operation." A similar work was done in Siberia by the Council of Siberian Co-operative Congresses. Siberian

territory was further covered by the educational activities of the Zakupsbyt, which in its scope of work resembled the Centro-Soyuz.

Besides newspapers and periodicals issued by unions affiliated with the above-named organizations, there were books and periodicals published by co-operative societies devoted to publications only. One such was the Co-operative World, directed by Professor Totomiantz, who edited a special monthly magazine. This organization placed on the market series of instructive books. Among these we find "The Agrarian Question," by L. Luzatti; "The Duties of Men," by D. Mazzini; "The Foundation of Political Economy," by Professor C. Gide; "Goldmines," by L. Barbieri; and others. Though most of the books devoted to co-operation were published by co-operative organizations, so great was the popularity of this subject that several of the large private firms undertook to place on the market books on co-operation. In this fashion, "The History of Economic Teachings," by Professor C. Gide, and "The Co-operative Encyclopedia" were bought out by a private firm in Moscow.

The Russian co-operative press in two years, 1917 and 1918, achieved a remarkable growth. In December, 1917, the statistical department of the Centro-Soyuz undertook an inquiry into the position of the co-operative press and drew up a list of questions which was sent out to seventy-four organizations. Forty-six of these answered, and accordingly the following data were obtained: On the first of October, 1918, the Russian co-operative press numbered one hundred and forty-three publications, of which eighteen were newspapers and one hundred and twenty-five were other periodicals. The periodicals were published in forty-five provinces. Thirty-one of the periodicals, or twenty-one per cent of the total number issued, were in the industrial district. Out of the one hundred and forty-three publications, twenty-five per cent were devoted to co-operative matters only, whereas others dealt with subjects of general interest.

Due to the number of publications, it was possible for the co-operatives to establish libraries all over the country. The Russian co-operators, especially after the Revolution, tried

to establish their libraries in the meeting halls of trade unions, at various shops, and at factories. Thus the co-operative society "Obiedinienie" at Kharkov entered into a special agreement with the Trade Union of Metal Workers. According to this arrangement, they were allowed to establish a library in the local "Labor House." The trade union subscribed 2,000 gold rubles for the new undertaking and also handed over 2,500 books, valued at 3,000 rubles. The co-operative societies gave 1,000 rubles. A joint committee was to take charge of this library, both societies being represented in the management. Some of the village libraries were housed on the premises occupied by local co-operative societies. In other instances, People's Palaces were used for this purpose. Some of the unions were especially active along this line, combining reading rooms, lecture halls, and co-operative libraries under one roof. One such union promulgating educational work was the Altai Co-operative Union, which conducted this work through a central executive committee. This committee was organized in 1918, and within the first six months of its existence it established one hundred and seventy libraries and one hundred and thirty reading circles. During the same period this organization purchased 42,000 books, of which 24,000 were re-bought by the villages.

The first two years of the Russian Revolution fostered the growth of co-operative activity and all its educational enterprises. During this time the type of literature published dealt more or less with political issues. These were explained in numberless leaflets written in a comprehensive, popular way and sent broadcast throughout Russia. Labor co-operative societies which were controlled from the very first by the Bolsheviks published direct propaganda for that party. The less radical organizations, while dealing with the platform advocated by the Soviet power, published literature dealing with platforms of all parties. Whether radical or otherwise, practically all co-operatives combined political issues with co-operative propaganda. Thus the Altai Central Educational Committee, for instance, was composed not only of co-operative delegates, but also of delegates from various local Soviets, of delegates from local branches of the Social-

Revolutionary Party, and also of representatives of social democratic groups. This committee declared itself to be willing to serve as publicity agent for all organizations. Having adopted a neutral attitude, the committee issued in the first six months of its activity twenty-six different leaflets, totaling 905,000 copies, which were sent out to 1,200 co-operative locals. Similar data are given by all leading Russian co-operative organizations.

During the two years of rigid enforcement of Soviet decrees, co-operative societies were obliged to give up their independent educational activities. Being a part of the government machinery, their educational work was either given up for lack of independent funds or else was merged into the educational commissariat. The co-operative educational activity as conducted by the government was neither popular nor successful. The "Sovietized" co-operation was very unpopular and, being antagonized, the peasants were unwilling to co-operate with the government. Besides, there was an extreme lack of trained instructors, many of whom were unwilling to work along the new lines. Moreover, the disorganization of the country was such that it is doubtful whether even the old co-operatives would have been able to keep up the intensity of former agitations. On the other hand, in all justice to the Soviet Government, we must say that it spread its funds in a most generous way trying to foster education in Russia. Short as it was of paper, it issued tens of thousands of books and pamphlets and sent carloads of these into the country. One of the new methods of education and the one which co-operators are utilizing now, a method introduced by the Soviet Government, was the presentation of political propaganda by means of huge posters. Again, the government picked up the idea of children's homes and developed the same on a scale beyond the means of the co-operators. However, in those parts of the country which were controlled by the counter-revolutionists, Denikin, Kolchak, and Semenoff, the co-operative educational propaganda suffered much without being helped by government educational measures. In the south, for instance, wherever Denikin gained a foothold, he immediately forbade the teaching of

the Ukrainian language and enforced the Russian language, which was a great handicap to the co-operators in reaching the peasants. In Siberia again, Semenov disbanded schools and requisitioned the printing press for his own use, so that educational propaganda was stopped entirely.

With the end of civil strife and the introduction of the New Economic Policy, the co-operatives regained a partial independence not only in the economic field of activity, but also in the educational sphere. They resumed slowly some of their former publications and sent once more traveling lecturers and instructors throughout the country. At present the use of the cinematograph and of the theater as means of co-operative educational propaganda has reached enormous proportions. Some of the Russian committees are members of foreign associations fostering education via cinema. Thus already in 1918 the Altai Central Educational Committee has become a member of the British Recreative Circle, the aim of which is the improvement of the cinema and its development as a moral and educational force. Following the example long ago set by the Zemstvos and splendidly developed by the Soviet Government, the co-operators are developing museums and specialized exhibitions of all kinds. At present the Centro-Soyuz has the largest permanent museum, but several of the unions are working effectively along the same line.

Ever since the co-operative movement was introduced into Russia, numerous attempts have been made to get into closer touch with Western co-operators. Several of the men who were the promoters of Russian co-operation studied abroad under the prominent leaders of Western co-operation. On several occasions the latter were invited to Russia for a course of lectures. Group excursions were made abroad and the funds for instructors' visits abroad were supplied not only by co-operators but also by Zemstvo officials who realized the educational value of these sojourns. With a similar point in view, the co-operators circulated books by foreign co-operative authors ably translated into the Russian language. But practically all these attempts to study foreign culture were due to the initiative of the Russian co-operators.

A new departure in this matter was introduced by the



Canadian Economic Commission to Siberia in 1920. Though unable to see their way to the immediate resumption of trade, this commission emphasized again the great desire of the Canadian people to be of assistance to Siberia. In this spirit they extended an invitation to the co-operators to send twenty-five picked men for a six months' free agricultural course in Canada. This suggestion was the very first attempt at the giving of constructive aid. Its nature appealed to the co-operators the more since it was very much in keeping with their general educational policy. In order to clarify various points connected with this undertaking, a set of letters was exchanged between the Siberian co-operators and the Canadian Commission. The following qualifications for proposed students were set forth: (1) Sufficient knowledge of the English language which would admit of following lectures and explanations of the workings of machinery, and (2) Some knowledge of Siberian agriculture in its main branches. The six months' course was to cover butter and cheese making, the use of agricultural machinery, and dairy and beef stock raising. Besides the lectures, the course was to include visits to model farms and a general trip through Canada. The Commission felt confident that not only the Canadian Government would be willing to co-operate but that even the railway management would afford the tourists free transportation in order to familiarize them with general conditions in Canada. The generous invitation was the first received by the Russian co-operators. It was gratefully accepted and a precedent was established so that the educational committees of co-operatives of unions intend now to finance regularly commissions of instructors for intensive study of industry and agriculture abroad. At present such service is rendered through various foreign offices of Russian co-operatives, but this, of course, cannot in any way be compared with a systematic course of study such as suggested by the Canadian Economic Commission. All these measures will promote the educational contribution of co-operatives to Russia.

Thus, unlike co-operators of other nations who center their ambition upon purely commercial operations, the Russian co-

operators, besides promoting economic welfare of their fellow members, are largely involved in the educational and social activities of their country. "They have organized banks, insurance companies, and credit societies, but they also operate hospitals, sanitariums, schools, libraries, hotels, and the like," states Mr. Webster. "During the year 1921 the head office of the Centro-Soyuz alone established and fully equipped fifty-five libraries for peasants. They operate their own printing establishments and have printed millions of books, pamphlets, and magazines for distribution among their members. These publications have as their principal aim the education of the peasant. They endeavor to instruct him in more modern methods of agriculture, scientific hunting, and sanitation."<sup>2</sup>

Various facts of this nature and those connected with the economic state of the Russian co-operation have been brought to light by European and American co-operators who have recently visited Russia. These facts were also given a wide publicity by the International Co-operative Alliance and its allied branches. In this manner the Russian co-operative movement has assumed an international significance. The imperialistic diplomats of the Allied Powers, forgetful of the horror of the last war (the war which presumably was to make "the world safe for democracy"), are still struggling over power and booty, and are bringing the nations once more to the brink of war. In the meantime the co-operators of the world are uniting on an international basis and are indicating a possibility of world-wide peace and democracy. In this movement, which spells a possible salvation for all nations, the Russian co-operators, working hand in hand with the Soviet power, are holding aloft a torch of light.

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<sup>2</sup> *Survey Graphic*, March, 1923, p. 735.

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